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Public Resources for Children in Bihar

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Asian Development Research Institute
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Chapter One

Introduction

The development trajectory taken by India over the last one and a half decades has resulted in impressive levels of economic growth, but this growth process has failed to improve the status of some of the disadvantaged sections of the population. The persistence of significant deficits in development of children in India is one of several such failures of the growth process witnessed over the last one and a half decades. In this context, it has been observed that conscious analytical methodologies and tools need to be developed and used in the process of planning and budgeting by the government in order to address the disadvantages confronting the weaker sections of the population such as children. In light of this, *UNICEF India*, *Centre for Budget and Governance Accountability* and *Asian Development Research Institute* have collaborated to undertake a research study on analyzing the state budgets of Bihar from the lens of children.

1.1 Scope of the Study

The present study focuses on financial resources for development of children in Bihar provided from the state budget as well as the union budget.

- In India, state budget outlays on social services, like Education, Medical & Public Health, Family Welfare, and Nutrition etc. provide the larger resource envelope within which targeted investments on children are being made. Hence, the present study pays a lot of attention to investments in the social sector or more precisely in social services from the state budgets of Bihar during the years 1998-99 to 2007-08.
- The study also examines the fiscal health of Bihar over the last ten years in order to find out how the fiscal health of the state has affected the overall allocative priority for children in the state budgets.
- The study presents a detailed analysis of the resources earmarked for children in the Bihar state budget for the years 2004-05 to 2007-08, as our main concern here is the budgetary outlays/ expenditures that imply a direct benefit for children. The aggregate magnitude of these budgetary resources earmarked for children is referred to as the

‘child budget’ of Bihar. In other words, the key methodology adopted for tracking resources for children in the budget is that only such programmes/ schemes are considered, which have *ex ante* allocations earmarked for children. Any incidental benefits, which come from the various social services, are already captured in the analysis of expenditures on social services from the state budgets of Bihar.

- Apart from estimating the aggregate outlay for children in the state budget, an attempt has also been made to analyze the sectoral prioritization of these allocations for children, i.e. the prioritization across child education, child health, child protection and early childhood development – the four implicit sectors that make up the development continuum for children.
- The institutional bottlenecks, which impede effective utilization of public resources in the social sectors, deserve special attention at the current juncture. Increasing budget outlays for child-specific programmes/ schemes does not necessarily translate into higher magnitudes of public expenditure at the grassroots level, since institutional and procedural bottlenecks in the states could constrain the ability to incur significantly higher magnitudes of public expenditure. Moreover, even when increased budget outlays do translate into higher levels of actual expenditures on the ground, the effectiveness of such expenditures could be less than satisfactory due to their skewed composition. Therefore, the study also pays specific attention to the issues related to fund utilization in some of the important child-specific programmes/ schemes in Bihar.
- The study takes into account only the divided Bihar (i.e. excluding Jharkhand) for the years 2001-02 to 2007-08. Since all relevant indicators in the analysis are expressed as proportions or percentages, the fact that only divided Bihar is considered from 2001-02 onwards does not affect the interpretations of results in this study.

1.2 Key Objectives

The key objectives of the present study are:

- To analyse the provisions made for social services in the state budgets of Bihar over the period from 1998-99 to 2007-08;
- To identify the magnitude of budgetary provisions made by Bihar for programmes/ schemes that are largely meant for addressing specific needs of children;

- To examine the trends in child specific public expenditure by the state over the period from 2004-05 to 2007-08;
- To assess the sectoral composition of the total quantum of state budget outlays earmarked for children during 2004-05 to 2007-08;
- To assess the magnitude and composition of union budget outlays for child-specific centrally sponsored schemes, which were transferred directly to autonomous societies (bypassing the state budget) during 2004-05 to 2006-07;
- To assess the dependence of the state on centrally sponsored schemes for undertaking targeted interventions for children; and
- To assess the major constraints in utilization of funds (if any) in relevant social sector schemes in the state.

1.3 Data and Methodology

Tracking Expenditure on Social Services

In India, the different services delivered by the union government as well as the states can be broadly divided into three categories as mentioned below:

(i) **Economic Services** (which include, among others, agriculture and allied activities; rural employment generation; irrigation and flood control; energy; industry and minerals; transport; communications): These services usually lead to income generating activities for the people and promote the expansion of economic activities.

(ii) **Social Services** (which include, among others, *education, sports, art and culture; medical & public health, family welfare; water supply and sanitation; housing and urban development; social security and welfare; welfare of SCs, STs & OBCs; nutrition; and information and broadcasting*): The interventions by the government in these sectors are expected to promote social development.

(iii) **General Services** (which include, among others, pensions; interest payments; police; and organs of state): The term general is meant to distinguish these services from the other two kinds of services, i.e. economic and social.

Of these three kinds of services, children benefit particularly from **social services**. Hence, analysis of investments in children needs to take into account expenditures from state budget on social services. Though it is not easy to segregate the total expenditures on important social services to identify the specific benefits accruing to children, general investments in Education, Medical & Public Health, Family Welfare, Water Supply & Sanitation, Social Security & Welfare, and Nutrition etc are likely to have an impact on family well-being and the community which in turn can have significant positive implications for children. Thus, public spending on the social sector shapes the wider resource envelope within which investments for children are being made. Hence, the present study pays specific attention to state budget outlays on social services during the years 1998-99 and 2007-08; and on the child specific public expenditures during the years 2004-05 to 2007-08.

Data Sources

The data on expenditure from the state budget on social services have been taken from two publications by the Reserve Bank of India (RBI), viz. ***Handbook of Statistics on State Government Finances*** and ***State Finances: A Study of Budgets***. The share of expenditure on social services in total expenditure from the state budget has been frequently used as an indicator of the priority accorded by the government to these services. In the present study, the figures for total expenditure from the state budget (i.e., plan expenditure, non plan expenditure and total expenditure) have been taken from various issues of the Budget Summary (***Budget Ka Saar***) published by the state Finance Department. The data for expenditures from the state budget, on child-specific schemes, have been taken from ***Detailed Demands for Grants*** in the state budget for various years. The Net State Domestic Product (NSDP) figures were taken from the data of 1999-2000 series published by Central Statistical Organisation (CSO); and NSDP figures for the years 1998-99 and 2007-08 were calculated using compound annual growth rate of NSDP over 1999-2000 to 2006-07. We must also note here that for the three years for which we have considered the state budget of undivided Bihar, i.e. 1998-99 to 2000-01, we have also taken into account the NSDP of undivided Bihar.

The Notion of ‘Child Budget’

The present study gives emphasis on tracking the expenditures on those programmes/ schemes in the state budget, which are specifically meant for addressing the needs of children. This brings us to what has emerged in India as **child budgeting**, an analytical tool for assessing the priorities accorded by governments to children in public spending. Some prominent civil society organisations, which have done pioneering work in the field of child budgeting, are *HAQ: Centre for Child Rights*, New Delhi; *Indian Council for Child Welfare*, Tamil Nadu; *Concerned Citizens for Community Health and Development*, Jaipur, and *Open Learning Systems*, Bhubaneswar.

The total magnitude of outlays/ expenditure on child specific schemes from the budget is what we refer to as the magnitude of the ‘child budget’. Thus, ‘child budget’ is not a separate budget, but a part of the usual government budget.

Segregating Child-specific Public Expenditure on the Basis of Policy Goals

It must be noted here that the approach towards segregating child specific public expenditure from the government budgets is **an ex ante approach**, not an *ex post* approach. An *ex post* approach would require identifying the proportion of children among all beneficiaries of each of the developmental programmes/ schemes run by the government. Such an analysis, if attempted at a reasonably comprehensive scale, would face acute problems of unavailability of data on beneficiaries. On the other hand, the *ex ante* approach is not only much easier to apply it also has its own significance. In this approach, selection of a particular scheme as child specific (and hence as a part of the child budget) depends on the policy goal of the government underlying that scheme. Thus, in this *ex ante* approach, a scheme like “Strengthening of Immunisation Programme & Eradication of Polio” would be selected as child specific as the government policy underlying the scheme distinctively aims for improving the condition of children.

Age of a Child

Taking into account the child rights discourse and, in particular, the Convention on the Rights of the Child (CRC), the analysis takes all persons up to the age of 18 years as children.

Sectors within the 'Child Budget'

Taking into account the different kinds of needs of children in the country, all programmes/schemes included in the child budget are categorized into four sectors, viz.:

- (1) early childhood care and development (which mostly includes schemes for early childhood care and child nutrition);
- (2) child health (which includes schemes for child survival and child health);
- (3) child education (includes schemes at the level of elementary education and secondary education); and
- (4) child protection (which includes schemes for children in difficult circumstances, such as, child labour, disabled children, children affected by calamities, children affected by conflicts, child prostitutes, children of prostitutes, street children, delinquent juveniles, children exposed to the risk of trafficking etc.)

However, this categorization is subjective to some extent as certain child specific schemes address multiple needs of children and hence they can be considered for more than one of the categories mentioned above. For instance, a scheme like "National Programme for Nutritional Support to Primary Education (or the Mid Day Meal scheme)", may be considered as a part of child education or as a part of early childhood development (in the present study, this scheme has been included under child education). But in order to avoid double counting of child specific public expenditure every such scheme (addressing multiple needs of children) is included in any one of the four categories only.

Analysis of Fund Utilization Issues

In order to assess the performance of Bihar, in the recent years, in utilization of funds in important social sector schemes, the present study analyses the outlays approved, funds released and expenditures reported for the state in selected child-specific schemes during 2004-05 to 2007-08.

- It has been well-acknowledged that in the recent years states have not shown full utilization of the funds available to them for plan expenditure in the social sectors, while no such constraints have generally been observed in the domain of non-plan expenditure in the social sectors. Hence, in this study, we focus on the utilization of funds in Bihar only in the plan expenditure segment.
- Moreover, it is also the case in many states that plan expenditure in the social sectors is dominated heavily by central schemes. As we shall see in the fourth chapter, in Bihar also, plan spending on children is dependent heavily on central schemes. Hence, in this study, the issues of fund utilization have been discussed with reference to seven central schemes, viz. *Sarva Shiksha Abhiyan (SSA)*, *Mid Day Meal Scheme (MDMS)*, *Integrated Child Development Services (ICDS)*, *Reproductive and Child Health Programme (RCH)*, *Universal Immunization Programme (UIP)*, *Total Sanitation Campaign (TSC)* and *National Child Labour Project (NCLP)*.
- The selected central schemes not only account for a major chunk of plan spending on children in Bihar, but they also cover the four sectors relating to children.
- Moreover, the selected set of schemes also covers the two different kinds of fund-flow arrangements from centre to states– while the central funds for Bihar in ICDS and MDMS are routed through the state budget, the central funds for the state in SSA, RCH, UIP, TSC and NCLP are routed outside the state budget.
- The analysis of fund utilization by the state in the selected schemes is based on the perceptions of government officials implementing the respective schemes and objective information on the schemes collected from the respective government offices in Bihar. These perceptions and objective information on the selected schemes were collected following a structured questionnaire. This questionnaire was developed on the basis of a review of some of the existing literature on fund utilization by states in the social sectors over the last decade.

- However, given the limited scope and short timeline of the study, the information relating to fund utilization in the schemes (i.e. both objective information as well as perceptions of the government officials) was collected only from the relevant offices in Patna. Collecting information from the district or sub-district level was beyond the scope of this study.

Qualifications on the Bihar Budget for 2004-05

The period under scrutiny in this study poses certain analytical paradoxes which need to be taken into consideration before we discuss the results. In this study, financial year 2004-05 is an outlier due to specific circumstances. In order to make this explicit, in our estimates of child specific expenditure in Chapter Four, we have presented two sets of figures for 2004-05 – Actual Expenditure and Revised Estimates (RE) for all results derived from Bihar budget documents. The **Annexure for chapter one** discusses this issue in detail.

Chapter Two

Children in Bihar: The Development Deficit

This chapter outlines the status of children in Bihar in terms of outcome indicators of development. The exercise is meant to lay out the overall context for the need for purposive and effective state intervention to address the needs of children in Bihar.

2.1 Socio-economic Background

The Human Development Report for 2007-08, yet again, notes the 'large human development deficits' in India in the context of widening disparities even as it retains the status of a high growth economy but slips two places further down in the rankings based on human development (UNDP 2008). The widening social and regional disparities in India in the last two decades have had very serious effects on underdeveloped states like Bihar. In fact, Bihar comes out at the bottom or near the bottom of the table for almost all state level indicators of growth and development. The Bihar Economic Survey for 2007-08 notes that for four years for which comparable estimates are available (2001-02 to 2004-05), per capita income in Bihar is the lowest in India. In 2004-05, the per capita income in Bihar (Rs. 5772) was only 25.1 percent of the national per capita income (Rs. 22946). Its poverty ratios are 42.1 percent (rural), 34.6 percent (urban) and 41.4 percent (overall). Similarly, Bihar has remained at the bottom of the ranking of states based on the Human Development Index in 1981, 1991 and 2001 (Planning Commission 2002). Bihar also had the lowest literacy rate (47.53 percent) in the country and a female literacy rate of 33.57 percent (Census 2001).

2.2 Demographic Status of Children

Some important demographic indicators relating to children are presented in Table 2A, along with comparative figures wherever appropriate in terms of the all-India averages, figures for the best performing state and that of the poorest performing state in the country. The table highlights the importance of children in the demography of Bihar.

Table 2A: Select Demographic Indicators for Bihar

Indicator	Year	Bihar	India	Best Performing State	Worst Performing State
Total Population*	2001	83 million	-	-	-
Total Population**	2007	93 million	-	-	-
Total Child Population (0-18 years)***	2007* *	47 million	-	-	-
Sex Ratio*	2001	921	933	1058 (Kerala)	861 (Haryana)
Child Sex Ratio* (0-6 Years)	2001	938	927	964 (Andhra Pradesh)	793 (Punjab)
Maternal Mortality Ratio (MMR) (Per 1 lakh Live Births) ****	2001-06	371	301	110 (Kerala)	517 (Uttar Pradesh)

Source:

*Census of India- 2001, Primary Census Abstract.

** Report of the Bihar Common Schools Systems Commission Report, 2007.

*** Estimated by Author.

****Statistics on Women in India, 2007, National Institute of Public Cooperation and Child Development (NIPCCD), New Delhi.

Out of a total population of 93 million in 2007, 47 million were children. Children in the age bracket of 0-18 constitute about 50.4 percent of the population whereas children in the age bracket of 0-6 constitute around 20.3 percent of the total population of Bihar. Thus children constitute the majority of the population in Bihar. Though the overall sex ratio for Bihar (927) was lower than the national average (933) in 2001, the child sex ratio in Bihar (938) was

higher than the national average in 2001. But the sex ratio is still very adverse. In addition, Bihar has a higher Maternal Mortality Ratio of 371 compared to the national average of 301.

2.3 Survival and Health

Table 2B presents an overview of the change in the development deficit of children in Bihar between 1998-99 and 2005-06 compared to the all-India average, based on data from the Second and Third National Family Health Survey.

Table 2B: Select Development Indicators for Children in Bihar

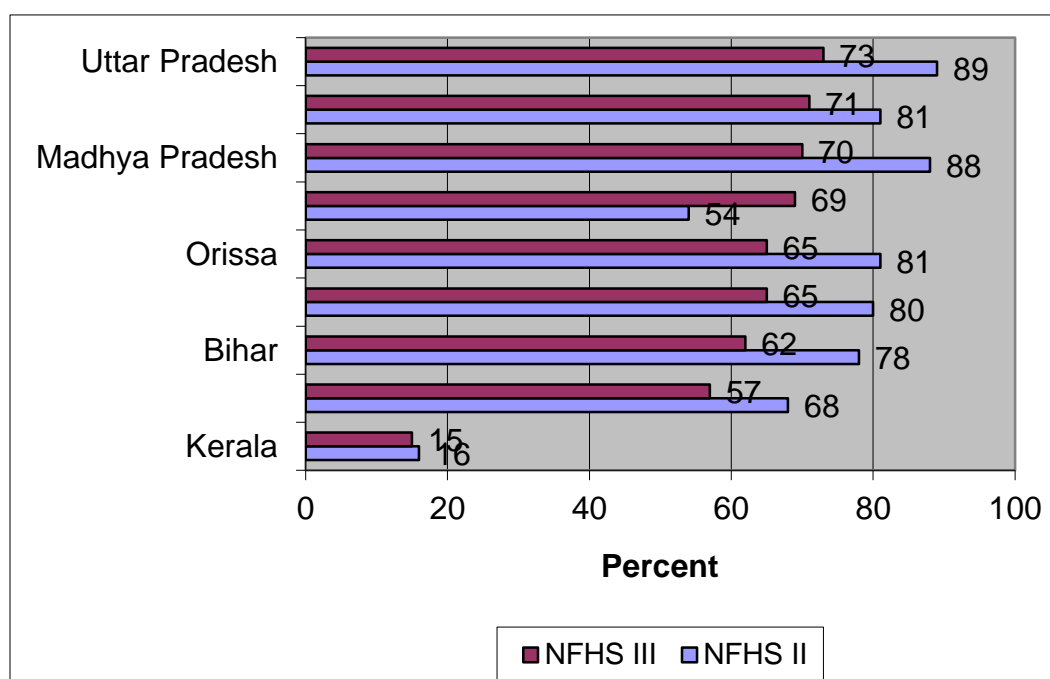
Indicator	Bihar		India	
	NFHS II 1998-99	NFHS III 2005-06	NFHS II 1998-99	NFHS III 2005-06
Infant Mortality Ratio (Per 1000 Live Births)	78	62	68	57
Percentage of Stunted Children	55	42	46	38
Percentage of Wasted Children	20	28	16	19
Percentage of Underweight Children	54	58	47	46
Vaccination Coverage in Percentage Terms	12	33	42	44

Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

We find that in a span of little over half a decade, Infant Mortality Ratio (IMR) has gone down from a level of 78 in 1998-99 to 62 in 2005-06. Figure 2.1, shows the trends in IMR in the major underdeveloped states of India based on data from the last two rounds of National Family

Health Survey (NFHS) in 1998-99 and 2005-06. It also provides a comparison with the all-India average and Kerala – the state richest in human development. On the value of this particular indicator in 2005-06, Bihar is better placed compared to Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Orissa and Rajasthan. These are states that perform better than Bihar in overall HDI rankings. However, the IMR in Bihar was still higher than the national average of 57 in 2005-06 and much worse than the IMR in Kerala which stood at 15 in 2005-06. Moreover, there was a large disparity in the value of the IMR in Bihar between rural (80) and urban (53) areas.

Figure 2.1: Infant Mortality Rates (Per 1000 Live Births)

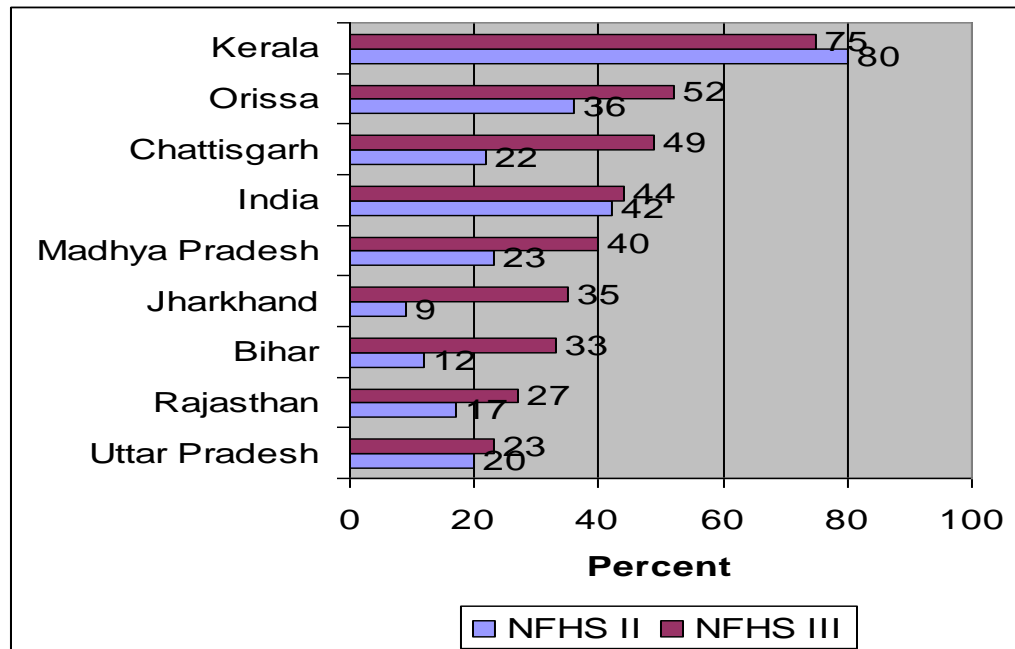


Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

See Table 2.1 in Annexure II.

Vaccination has a positive impact on child mortality and overall child health indicators. The all-India average for vaccination coverage (among children aged 12-23 months) improved marginally from 42 percent to 44 percent between 1998-99 and 2005-06. In Bihar, vaccination coverage increased from 12 percent to 33 percent in the same period (Table 2B). Rural coverage was almost trebled from 11 percent to 31 percent, while urban coverage was more than double from 22 percent to 46 percent between 1998-99 and 2005-06 (Table 2.2 in Annexure II).

Figure 2.2: Vaccination Coverage (Percentage)



Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI. See Table 2.2 in Annexure II

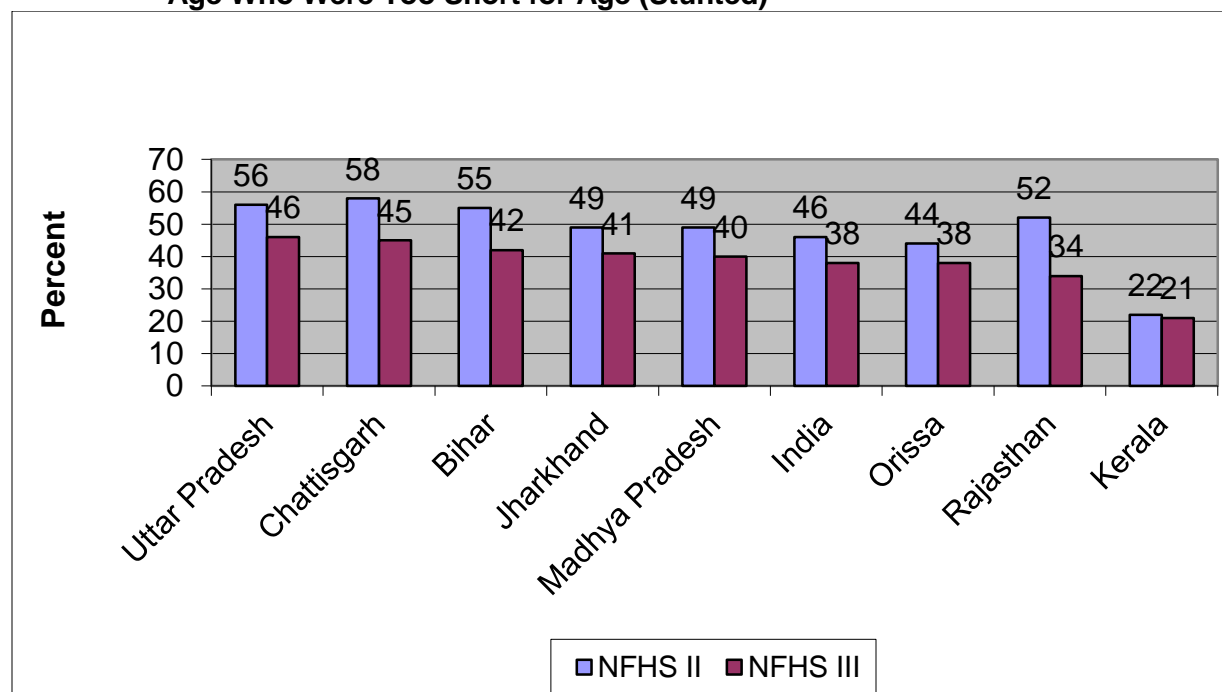
However, the overall status still remained much below the national average of 44 percent. Figure 2.2 above, shows the trends in vaccination coverage in the major underdeveloped states of India based on data from the last two rounds of National Family Health Survey (NFHS). Bihar ranked third from the bottom in vaccination coverage in 2005-06 (NFHS III) with only Uttar Pradesh and Rajasthan recording worse levels of coverage.

2.4 Nutritional Outcomes

Anthropometric measures based on height, weight and age are widely used as robust indicators of nutritional status of children. From Table 2B, we note that the number of stunted children under three years of age (too short for age) had decreased from 55 percent to 42 percent in Bihar between 1998-99 and 2005-06. This was faster than the all-India decrease from 46

percent to 38 percent in the same period. Thus Bihar has registered a significant improvement in this area.

Figure 2.3: Nutritional Outcome 1- Percentage of Children Under Three Years of Age Who Were Too Short for Age (Stunted)



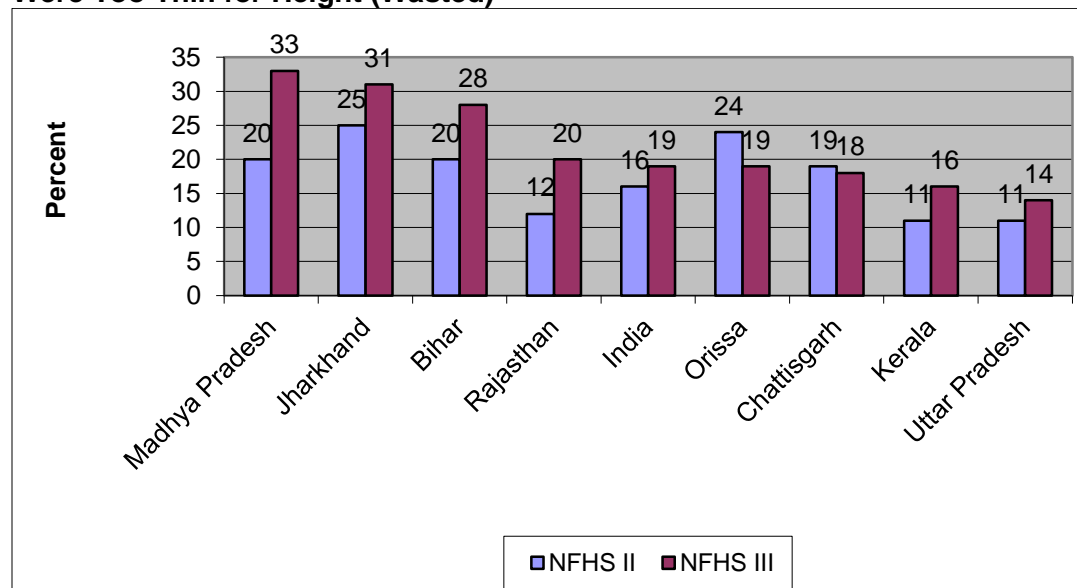
Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

See Table 2.3 in Annexure II

However, Bihar ranked third from the top in 2005-06 (NFHS III) with only Uttar Pradesh and Rajasthan recording higher proportions of stunted children in their child population (Figure 2.3 above).

The percentage of children under three years of age who were too thin for height (wasted) increased substantially from 20 percent to 28 percent between 1998-99 and 2005-06. The all-India average also increased from 16 to 19 percent in the same period, but the increase in Bihar was sharper (Table 2B).

Figure 2.4: Nutritional Outcome 2- Percentage of Children Under Three Years of Age Who Were Too Thin for Height (Wasted)



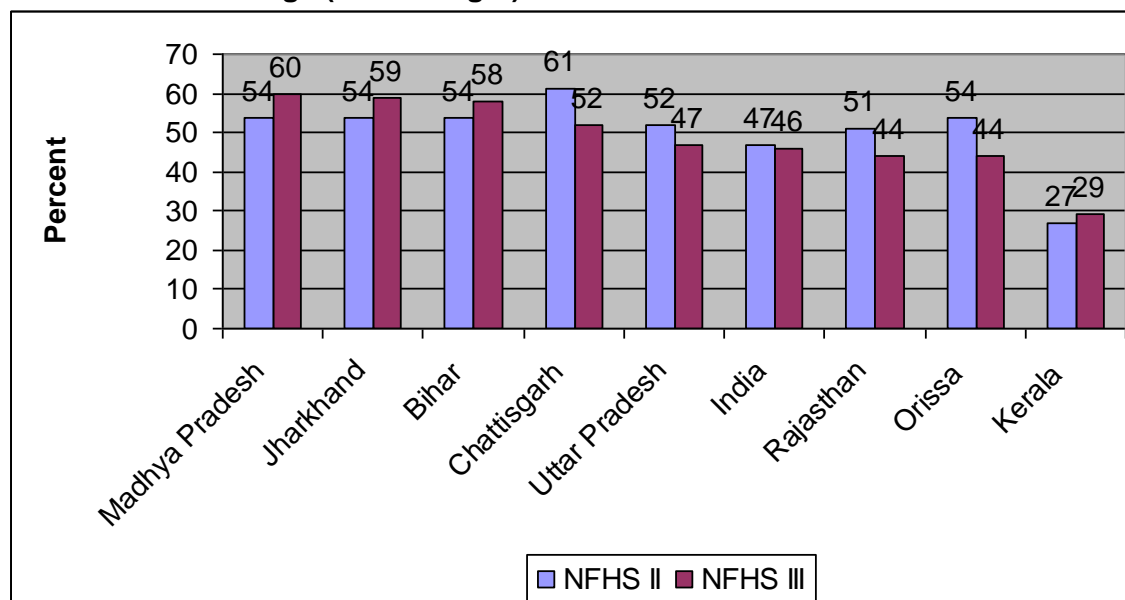
Source:

NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.
See Table 2.3 in Annexure II

Bihar ranked third from the top in 2005-06 (NFHS III) with only Madhya Pradesh and Jharkhand recording higher proportions of stunted children in their child population (Figure 2.4 above).

The last of the nutritional outcomes that we consider relates to the percentage of children under three years of age who were too thin for age (underweight). In this too, Bihar fares unfavourably. The percentage of underweight children in Bihar increased from 54 percent to 58 percent between 1998-99 and 2005-06. The all-India average remained almost static with a marginal decline from 47 percent to 46 percent in the same period (Table 2B).

Figure 2.5: Nutritional Outcome 3- Percentage of Children Under Three Years of Age Who Were Too Thin for Age (Underweight)



Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI. See Table 2.3 in Annexure II

Bihar, once again, ranked third from the top in 2005-06 (NFHS III) with only Madhya Pradesh and Jharkhand recording higher proportions of underweight children in their child population (Figure 2.5 above). The three measures on nutritional outcome together point to the severity of incidence of mal-nutrition amongst the child population in Bihar. The alarming rise in the proportion of wasted and underweight children between 1998-99 and 2005-06 suggests increasing spread of mal-nourishment as well as under-nourishment. A secular increase in under-nourishment has been observed at a national level since the 1990s spanning both rural and urban areas (Ray 2007), but the proportions of mal-nourished and under-nourished children are much higher for states with bigger development deficits like Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan.

2.5 Reproductive Health

Ante-natal care provided by skilled personnel is considered to be one of the most significant necessities for healthy outcomes for both mother and child. It has an important bearing in reducing maternal mortality. In Bihar, only 34 percent of women availed of ante-natal care at least once during pregnancy in 1998-99. The proportion remained the same in 2005-06, while the all-India average access to ante-natal care increased from 66 percent to 77 percent in the same period (Table 2C).

Thus in Bihar, ante-natal care remained stagnant between 1998-99 and 2005-06. Bihar also lagged far behind the national average in institutional deliveries, the other important intervention for safe motherhood. The percentage of institutional deliveries in Bihar remained appallingly low compared to the all India average of 41 percent in 2005-06, even though, it increased from 15 percent to 22 percent between 1998-99 and 2005-06.

Table 2C Trends in Ante-natal Care and Institutional Deliveries

Bihar/India	Percentage of Women who availed of Ante-natal Care	
	1998-99 (NFHS II)	2005-06 (NFHS III)
Bihar	34	34
India	66	77
	Institutional Deliveries in Bihar	
Bihar	15	22
India	34	41

Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

From Table 2D, we find that the number of assisted deliveries in the presence of doctors, nurses or health personnel was higher at 31 percent in 2005-06 while institutional deliveries were at 22 percent. The rural-urban gap is very large in terms of access to institutional and assisted deliveries in Bihar. While in urban areas, institutional deliveries in 2005-06 was at 47.7 percent and assisted deliveries at 56.1 percent, in rural areas it was only 18.6 percent and 27.6 percent respectively.

Table 2D Institutional and Assisted Deliveries in Bihar: 2005-06

Bihar/India	Births Assisted by Doctor/ Nurse/ Health Personnel (%)			Institutional Deliveries (%)		
	Total	Rural	Urban	Total	Rural	Urban
Bihar	30.9	27.6	56.1	22.0	18.6	47.7
All India	48.3	39.1	75.2	40.7	31.1	69.4

Source: National Institute of Public Cooperation and Child Development (NIPCCD), Statistics on Women in India, 2007.

2.6 Education

Bihar lags way behind the national average in child education. Table 2E presents an overview of Gross Enrolment Ratio (GER) in Bihar compared to the all-India levels. At the primary level (Class I-V), GER for boys and girls increased by more than 10 percentage points from 72.57 to 83.57 between 2003-04 and 2004-05. However, the all-India average was 108.53 in 2004-05. At the upper primary level, the GER in Bihar was only 32.43 compared to an all-India average of 70.51. At the Secondary and higher secondary level, the GER was just 16.90 compared to the all-India average of 38.89. Gender disparity in enrolment was glaring at all levels, with GER at just 10.53 percent for girls at secondary and higher secondary levels.

Table 2E: Gross Enrolment Ratios in Bihar

	2003-04		2004-05	
Gross Enrolment Ratio	Bihar	India	Bihar	India
Girls (Class I – V)	64.20	95.58	71.18	105.48
Boys (Class I – V)	80.20	100.63	95.40	111.41
Total (Class I – V)	72.57	98.20	83.75	108.53
Girls (Class VI - VIII)	19.21	57.62	24.29	65.76
Boys (Class VI - VIII)	30.64	66.76	39.66	74.84
Total (Class VI - VIII)	25.33	62.40	32.43	70.51
Girls (Class IX – XII)	10.53	34.26	-	-
Boys (Class IX – XII)	22.05	42.94	-	-
Total (Class IX – XII)	16.90	38.89	-	-

Source: Selected Educational Statistics, Ministry of Human Resource

Development, GOI.

Table 2F: Drop-Out Rates for the Year 1997-98 and 2004-05

State/	Classes I-V			Classes I-VIII			Classes I-X		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Bihar	54.62	59.58	56.47	75.32	80.48	77.14	81.74	87.68	83.78

(1997-98)									
Bihar (2004-05)	53.4	48.6	51.6	-	-	74.7	-	-	83.1
India (1997-98)	37.46	41.54	39.24	53.75	59.3	56.1	66.62	73.02	69.28
India (2004-05)	31.8	25.4	29	-	-	50.8	-	-	61.9

Source: Ministry of Human Resource Development (2003), "Education in India: School Education (Numerical Data) 1997-98", Government of India; Ministry of Human Resource Development, Selected Educational Statistics: 2004-05, Government of India

Table 2F provides a summary of drop-out rates dropout rates in school education (classes I to X). We note that drop-out rates have declined by about 5 percent at the primary level between 1997-98 and 2004-05 in Bihar. The decline is more significant for girls compared to boys. However, Bihar had an overall drop-out rate of 51.6 percent compared to the all-India average of 29 percent at the primary school level. Drop-out rates at the upper primary and secondary levels remained almost static between 1997-98 and 2004-05. Projections of out-of school children for Bihar based on a survey of Patna and Vaishali districts estimated the number of out-of-school children between the age-group 7 to 10 years to be 12 percent in the case of boys and 24 percent in the case of girls (Pratham 2004). The corresponding all India averages were 6 percent and 9 percent respectively.

To conclude, a comparative approach to the study of the condition of children in Bihar reveals large deficit in most indicators of development compared to the national average. It must be noted that the development gap did not narrow down between 1997-98/1998-99 and 2004-05/2005-06 in spite of rising growth rates in Bihar. Thus. the need for effective state intervention is all the more vital.

Chapter Three

Expenditure on Social Services from State Budgets of Bihar

All kinds of targeted public investments on children come under the broader purview of investment in the social sector¹ or more precisely in the social services². Moreover, states play the most crucial role both in terms of financing as well as implementing the various government interventions in the social sector. Hence, for tracking a state's policy priorities for children, it would be worthwhile to focus first of all on the overall social sector spending of the state. This chapter presents an analysis of the expenditure on social services from the state budgets of Bihar during the period 1998-99 to 2007-08. It should be noted here that the figures of public spending in Bihar presented in this chapter pertain only to the state budget, i.e. they cover all budgetary allocations by the state government and those budgetary allocations by the central government (for Bihar) which are routed through the state budget of Bihar. It excludes central government funds for some of the programmes/ schemes (like *Sarva Shiksha Abhiyan*, *National Rural Health Mission*, *Total Sanitation Campaign*, *Accelerated Rural Water Supply Programme* etc.) which are not routed through the state budget³.

¹ **Social Sector** expenditure by states, as per the RBI's *State Finances: A Study of Budgets*, 2006, includes: expenditure by the state governments on all Social Services, and their expenditure on Rural Development, Food Storage and Warehousing.

² Expenditure on **Social Services** by the states includes: expenditure on the following services- Education, Sports Art and Culture; Medical and Public Health; Family Welfare; Water Supply and Sanitation; Housing; Urban Development; Welfare of SCs, STs and OBCs; Labour and Labour Welfare; Social Security and Welfare; Nutrition; Relief on Account of Natural Calamities, and Others.

³ The present study has compiled information on central govt. funds released for Bihar (during 2004-05 to 2007-08) in some of the central schemes in the social sector (like, SSA, NRHM, DPEP, NCLP) in case of which the central funds have bypassed the Bihar state budgets (and have been transferred directly to autonomous societies in Bihar). Information with regard to the central funds for these child-specific schemes is presented in one of the subsequent chapters of the report. However, this study does not capture the total magnitude of central govt. funds for Bihar in all social sector programmes/ schemes which bypass the state budget, as this is beyond its scope.

The present chapter is divided into four sections. The first section discusses the priority accorded to expenditure on social services in the state budgets of Bihar over the last ten years, which entails comparisons of the magnitude of expenditure on social services with the magnitudes of the total state budget and the NSDP of Bihar. This section also throws light on the very low levels of per capita expenditure on social services in Bihar compared to other states. The second section analyses the expenditures from Bihar state budgets on the specific services within the social sector (like, Education, Medical and Public Health, Family Welfare, etc.), and highlights a few concerns relating to the prioritization of the total budgetary resources provided for social services. We must note here that the prioritization of the total pie of funds meant for social services, which we shall discuss in this chapter, strongly influences the prioritization of the total pie of funds earmarked for children (i.e., the “child budget” within the state budget) as we shall discuss in the fourth chapter of this report. The third section very briefly highlights the fact that a part of the state budget outlays for social services has remained unspent in Bihar in some of the years during 2000-01 to 2005-06, which raises a concern with regard to the ability of the state to fully utilize the available amount of funds for social services. This issue of the inability of the state to fully utilize the available amount of budget outlays for social services in a financial year is dealt with in detail in the fifth chapter of the report. The fourth and final section of this chapter attempts to highlight some of the main reasons for the inability of the state government to step up significantly the magnitude of state budget outlays for social services, as witnessed over the last ten years. These reasons are traced to the poor fiscal health of Bihar over the last ten years.

3.1 Priority for Social Services in the State Budgets of Bihar

The following **Table 3.1** illustrates the shares of total expenditure on social services as proportions of total state budget⁴ and the Net State Domestic Product (NSDP) of Bihar. There has not been much variation in spending on social services as a proportion of total state budget

⁴ In this chapter, by “total state budget” we refer to the total expenditure from the state budget on all sectors.

if the two points of time, 1998-99 and 2007-08, are taken into consideration. But in between these two terminal years, the proportion of expenditure on social services fluctuates a lot and in the last three years it prevails well above 30 percent. In the year 2002-03, total expenditure on social services accounted for 31.7 % of total state budget. But it suddenly declined to 24.4 % and 24.6 % in the subsequent two years. As 2002-03 was the first year of the 10th Plan period, it is quite likely that plan expenditure on social services could have been higher that year due to the introduction of new programmes/ schemes. However, after 2003-04, a sharp decline in plan expenditure on social services is witnessed, which appears to have been due to a number of state specific problems. The financial year 2004-05 was the last year of the Rabri Devi Government (in Bihar) and it was also an election year, as a result of which public expenditure could have been compressed in general. Apart from this, Bihar was under President's Rule from July to November 2005, followed by elections again, which could also have led to a compression of public expenditure in the state due to statutory strictures on spending. Due to these state specific problems of Bihar, the total public expenditure and consequently the expenditure on social services from the state budget had declined sharply in 2004-05 and in the first part of 2005-06.

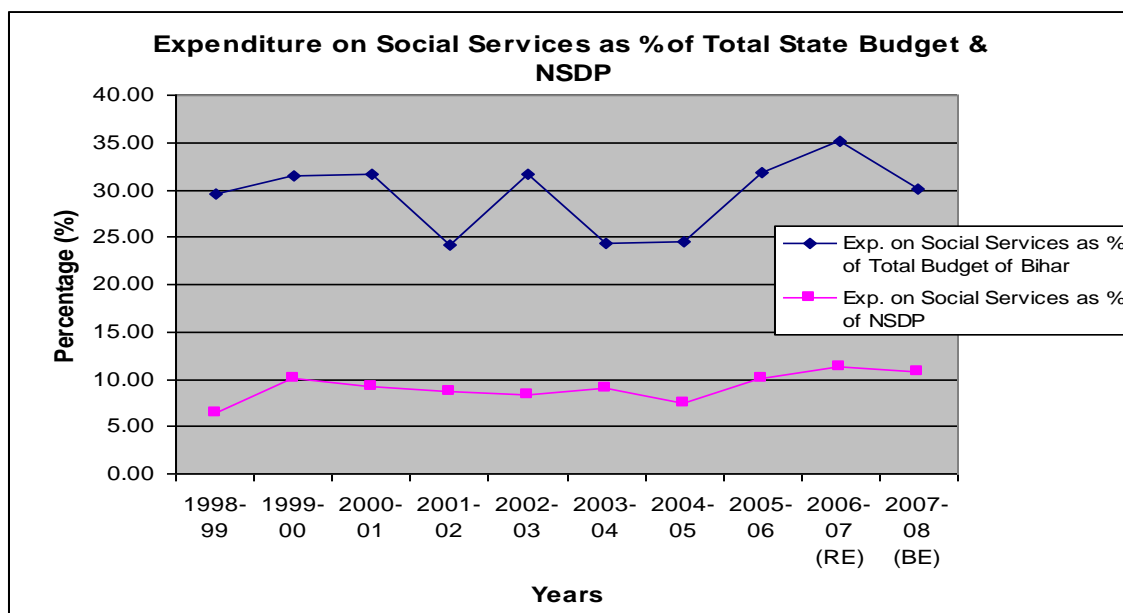
From the latter part of the financial year 2005-06, along with an increase in total public expenditure, expenditure on social services has also been increased substantially. We must note here that expenditure on social services was increased to 31.9 percent of the total state budget in 2005-06. In the subsequent year, i.e. in 2006-07 (RE), the pace was maintained and spending on social services as a proportion of total state budget of Bihar was increased to 35.1 percent. If we compare the expenditure from the state budget with the size of the state's economy (with NSDP being used as an indicator of the latter), we find that spending on social services as a proportion of Bihar's NSDP had declined gradually from 10.1 % in 1999-2000 to 7.5 % in 2004-05. After 2004-05, however, it has increased, and from 2005-06 onwards it has hovered over 10 percent of the NSDP (see **chart 3.1**).

Table 3.1: Total Expenditure on Social Services as % of the State Budget & NSDP of Bihar

	Expenditure on Social Services as % of total State Budget of Bihar	Expenditure on Social Services as % of NSDP of Bihar
1998-99	29.51	6.48
1999-00	31.48	10.06
2000-01	31.57	9.24
2001-02	24.15	8.72
2002-03	31.71	8.29
2003-04	24.37	9.10
2004-05	24.59	7.45
2005-06	31.86	10.13
2006-07 (RE)	35.14	11.29
2007-08 (BE)	30.09	10.86

Source: RBI, *State Finances: A Study of Budget*, various years; NSDP: CSO.

Chart 3.1



But it should be kept in mind that the magnitudes of the state budget as well as the NSDP of Bihar are both very low as compared to other states, while the deficits in human development in the state are far more acute than most other states. Hence, it is apparent that the increases in the overall expenditure on social services in Bihar in the most recent years would have been far from adequate.

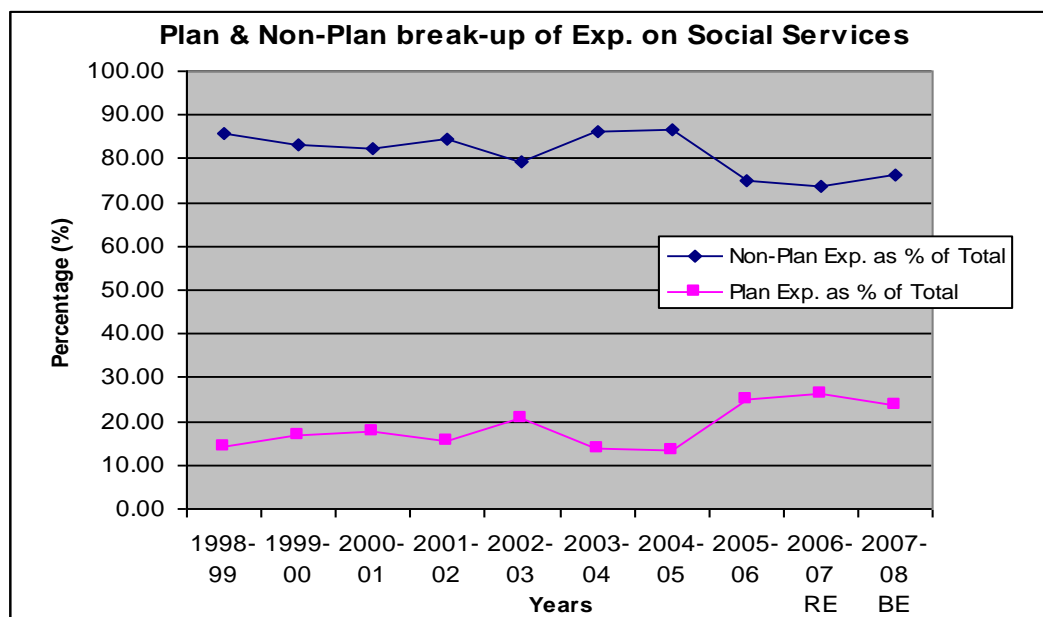
Table 3.2 shows the plan and non-plan break-up of total expenditure on social services in Bihar. It is evident that the plan component has been significantly lower than the non-plan component of expenditure on social services.

Table 3.2: Plan & Non-Plan Components within Total Expenditure on Social Services

	Plan Expenditure as % of total Exp. on Social Services	Non-Plan Expenditure as % of total Exp. on Social Services
1998-99	14.40	85.60
1999-00	16.67	83.33
2000-01	17.68	82.32
2001-02	15.45	84.55
2002-03	20.59	79.41
2003-04	13.64	86.36
2004-05	13.34	86.66
2005-06	24.87	75.13
2006-07 (RE)	26.14	73.86
2007-08 (BE)	23.61	76.39

Source: Compiled from RBI, *State Finances: A Study of Budget*, various years.

Chart 3.2



Over the years, there has been a gradual increase in plan expenditure component of social services; although there were some fluctuations during the period (see **chart 3.2**). The trend in this regard is almost similar to the total expenditure on social services as percentage of total state budget (**table 3.1**). The plan component of total expenditure on social services was much higher at 20.6 percent in the year 2002-03, compared to the previous four years and subsequent two years. There was a sudden decline in the share of plan expenditure after 2002-03, and it recovered only from 2005-06 reaching the highest level in 2006-07 (at 26.1 percent of total expenditure on social services in 2006-07). In this regard, we may note here that, from 2005-06 onwards the central govt. funding for a number of centrally sponsored/ central sector schemes (like SSA, Mid Day Meal, ICDS etc.) have increased significantly and consequently the state government's matching grants components for these social sector schemes have also increased considerably. Moreover, in Bihar, the size of the state plan also has been expanding since 2005-06. These developments have led to the sharp increase observed in plan outlay on social services from the state budget since 2005-06.

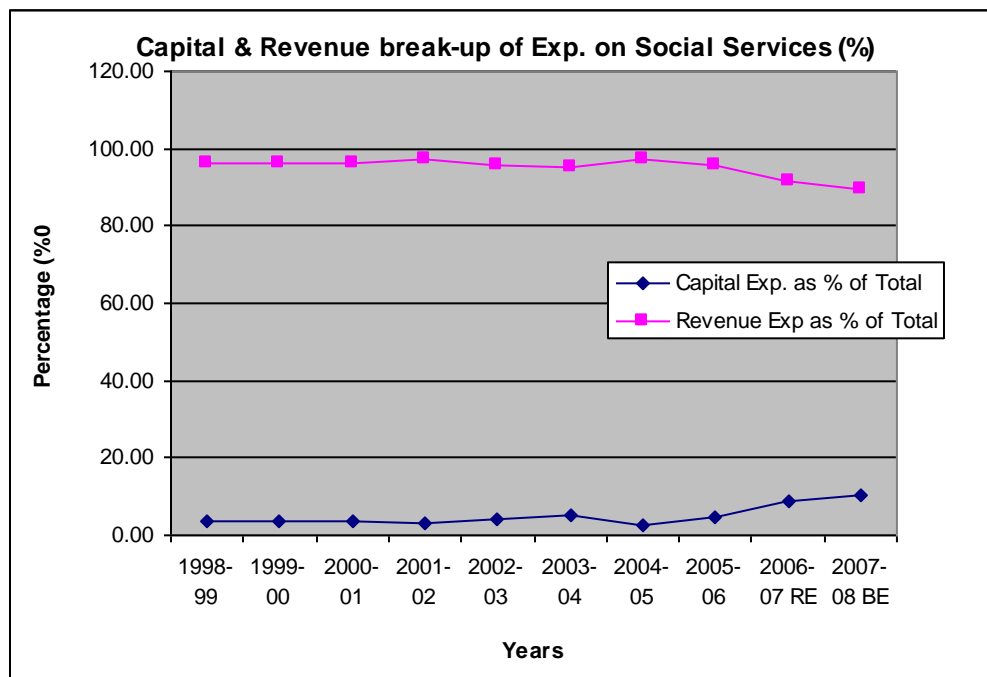
Table 3.3 provides a clear picture of the minuscule proportion of capital expenditure in the total expenditure on social services in Bihar; although the situation has changed to some extent in the last two years, that is, in 2006-07 (RE) and 2007-08 (BE), in which the share of capital expenditure has increased to 8.7 % and 10.3 %, respectively. This is a step in the right direction compared to the previous years, as far as the composition of expenditure is concerned. In spite of the substantial increases in capital expenditure in the last two years, the gap between the revenue and capital expenditures is still enormous (see **chart 3.3**).

Table 3.3: Capital & Revenue Components within Total Expenditure on Social Services

Year	Capital Expenditure as % of Total Exp. on Social Services	Revenue Expenditure as % of Total Exp. on Social Services
1998-99	3.83	96.17
1999-00	3.71	96.29
2000-01	3.86	96.14
2001-02	2.89	97.11
2002-03	4.33	95.67
2003-04	4.95	95.05
2004-05	2.78	97.22
2005-06	4.57	95.43
2006-07 (RE)	8.70	91.30
2007-08 (BE)	10.29	89.71

Source: Compiled from RBI, *State Finances: A Study of Budget*; various years.

Chart 3.3



However, it would be worthwhile to mention here that the budget documents of states do not capture the real extent of capital expenditure (or expenditure on creation of assets/ infrastructure) as the *grants-in-aid*, which are transferred from the state government to the lower level government institutions (like, panchayati raj institutions, and autonomous societies) and spent on infrastructure/ asset creating activities, get reported only under the revenue account of the state budgets.

The discussion, presented so far, has focused on the magnitudes of total expenditure on social services as well as the changes in composition of expenditure on social services from the state budgets of Bihar over the last ten years. If the per capita expenditure on **social services** is taken into account, it shows a sharp increase in the last three years (see **table 3.4 & chart 3.4**), as it stood at Rs. 1079.6 in 2007-08 (BE) increasing significantly from the level of Rs. 541.2 in

2001-02. However, the last two figures, i.e. for 2006-07 and 2007-08, are both estimates and the actual expenditures might turn out to be lower.

The sharp increase in per capita expenditure on social services in the last three years is clearly a positive sign and it could be attributed partly to the state government's emphasis on social services while a part of the credit would also go to the present central government for stepping up union budget outlays in some of the central schemes in the social sector (e.g. MDM, ICDS etc. which are routed through the state budgets).

Table 3.4: Per Capita Expenditure on Social Services from Bihar State Budget

Year	Per Capita Exp. on Social Services (in Rs.)
2001-02	541.22
2002-03	574.53
2003-04	628.70
2004-05	556.14
2005-06	800.92
2006-07 (RE)	1044.93
2007-08 (BE)	1079.64

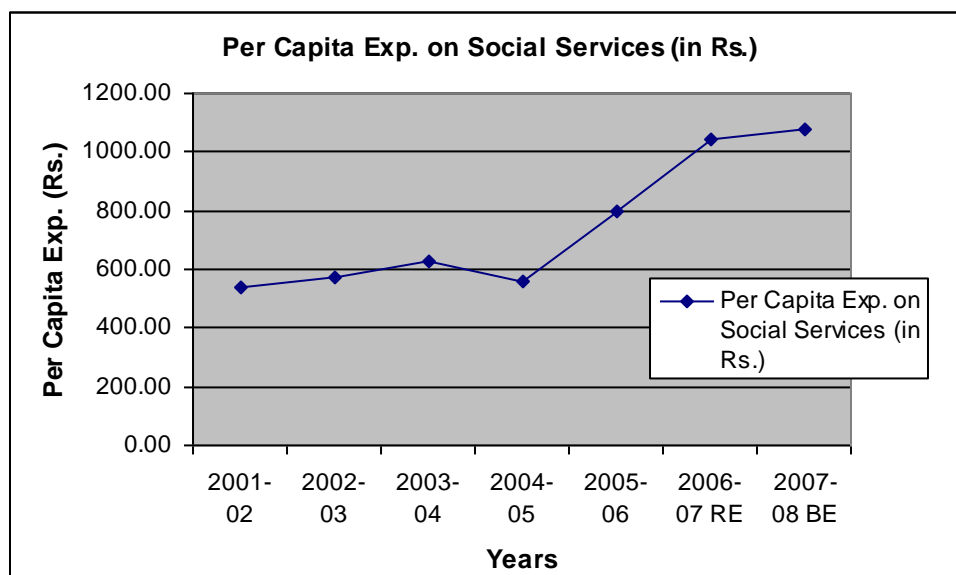
Source: RBI, *State Finances: A Study of Budget*, various years;

Annual Population Data: Report of the technical group on population

Projections constituted by the National Commission on population

May 2006.

Chart 3.4



However, if compared to other states, the situation in Bihar in terms of public spending on the social sector is still very disturbing. It is quite evident from **table 3.5** that in terms of average per capita spending on overall **social sector**, Bihar ranks the lowest (among the seventeen states selected for comparison) even during the last three years, i.e. 2005-06 to 2007-08. In fact, we must note here that the per capita expenditure on **social sector** in Bihar falls far short of the same in other poorer states like Chhattisgarh, Jharkhand, Rajasthan, Orissa, and Madhya Pradesh.

Table 3.5: Per Capita Expenditure (from State Budgets) on Social Sector[@] in Selected States

State	Per Capita Expenditure (from State Budgets) on <u>Social Sector</u> (in Rs.)	
	Average for 2001-02 to 2004-05	Average for 2005-06 to 2007-08
1. Bihar	743	1255
2. Uttar Pradesh	806	1404

3. West Bengal	1125	1654
4. Madhya Pradesh	1094	1695
5. Orissa	1154	1706
6. Rajasthan	1493	2013
7. Punjab	1406	2164
8. Gujarat	1746	2268
9. Jharkhand	1631	2356
10. Haryana	1469	2463
11. Andhra Pradesh	1585	2649
12. Chhattisgarh	1416	2668
13. Maharashtra	1772	2717
14. Karnataka	1542	2743
15. Tamil Nadu	1739	2776
16. Kerala	1899	2780
17. Goa	4825	6937

Note: @ - Expenditure on **Social Sector**, as presented in the relevant RBI

documents, includes expenditure on Rural Development, Food Storage & Ware Housing along with the total state budget expenditure on Social Services.

Source: Compiled from RBI, *State Finances: A Study of Budgets*; various years;

Population Data: Report of the technical group on population Projections

constituted by the National Commission on population, May 2006.

Thus, a comparison of social sector expenditure from the state budgets across different states clearly shows the paradoxical situation that has prevailed in India at least over the last decade. We find that states like Kerala and Tamil Nadu, which have achieved the relatively highest levels of human development and development in the social sectors, continue to spend the

highest per capita levels of funds on social sector from their state budgets. On the other hand, Bihar, despite its very poor record in human development and development in the social sectors, continues to spend the relatively lowest magnitude of per capita funds on social sector from its state budgets. As long as such a paradoxical situation persists, within the domain of public expenditure across states, the economically backward states would continue to be laggards in human development.

However, we must note here that the figures captured in **table 3.5** does not include the central government funds provided to the different states under some of the major programmes in the social sector, like, SSA, NRHM, ARWSP, TSC, NCLP etc. since in all these programmes/ schemes the central government funds are routed outside the state budgets (and transferred directly to autonomous societies in the states implementing the programmes/ schemes). It is quite likely that, if the central government funds provided to the different states under all such social sector programmes are taken into account, the disparity between the per capita social sector expenditures across states would come down. This likelihood arises from the fact that in some of the major social sector programmes, like, SSA, RCH, Polio Immunisation etc. (in which the central government funds are routed outside the state budgets) the funds allocated for the backward states like Uttar Pradesh and Bihar have been significantly higher than those allocated for most other states.

However, even if the entire magnitude of public expenditure on social sector programmes in a state is taken into account (i.e. including both the outlays routed through the state budget and those routed outside the state budget), we may still get a very skewed distribution of public expenditure across states in terms of per capita spending per annum, mainly because of the very high magnitudes of population in states like Bihar and Uttar Pradesh. For instance, in 2007-08, the state budget outlay on social sector in Bihar is almost 11 times higher than the same in Goa, but the projected population of Bihar for 2007-08 is almost 60 times higher than that of Goa; as a result, the per capita social sector outlay (from state budget) in Goa is almost 5.5 times that in Bihar.

Thus, in case of Bihar, the social sector spending from the state budget needs to be stepped up quite significantly in order to address the deficits in development in the social sectors persisting in the state, which in turn may require a significant expansion of the overall size of the state budget itself. Moreover, within the enhanced budget for the social sector, greater emphasis needs to be paid to capital expenditure meant for the creation of infrastructure and other physical assets in the social sectors. Likewise, greater emphasis should also be given on plan expenditure in the social sector, since the various kinds of new or ongoing interventions targeted towards children would come largely under the purview of plan expenditure.

3.2 Priorities for Specific Social Services

While the magnitudes of per capita expenditure on social services from the state budgets of Bihar and the composition of such expenditure have raised serious concerns, there are major issues pertaining also to the priorities given to the specific social services like *Education; Medical & Public Health; Family Welfare, Water Supply & Sanitation; Social Security & Welfare, and Welfare of SCs, STs, & OBCs*. As has been mentioned earlier, the prioritization of the total pie of funds (within the state budget) earmarked for the social services shapes up to a large extent the prioritization of the total budget earmarked for children, as all child-specific interventions (financed by the state budget) fall under the classification of social services.

Chart 3.5

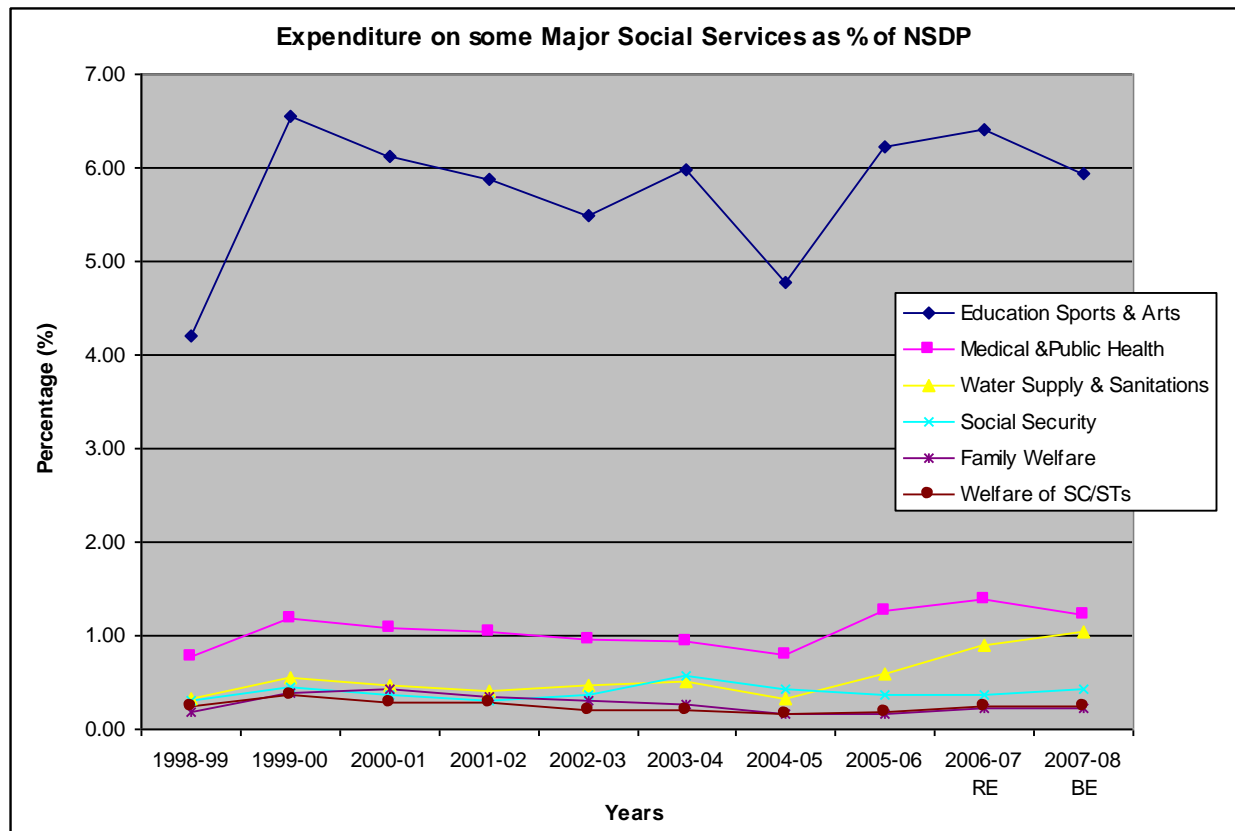


Table 3.6 Expenditures on Major Social Services as Proportions of NSDP (in %)

Year	Education, Sports & Arts	Medical & Public Health	Family Welfare	Water Supply & Sanitation	Welfare of SCs, STs & OBCs	Social Security & Welfare
1998-99	4.20	0.77	0.19	0.33	0.24	0.31
1999-00	6.55	1.19	0.39	0.56	0.37	0.44
2000-01	6.12	1.09	0.43	0.48	0.28	0.37
2001-02	5.88	1.03	0.36	0.41	0.28	0.32
2002-03	5.50	0.96	0.30	0.47	0.20	0.36

2003-04	5.99	0.94	0.27	0.50	0.21	0.57
2004-05	4.77	0.80	0.16	0.32	0.16	0.42
2005-06	6.23	1.26	0.16	0.58	0.19	0.38
2006-07 RE	6.40	1.38	0.22	0.89	0.25	0.37
2007-08 BE	5.93	1.23	0.22	1.04	0.25	0.43

Source: State Finances: A Study of Budget; various years.

As shown in **chart 3.5**, given above, when we compare the magnitudes of state budget expenditures on some of the important social services with the NSDP of Bihar, we get a disappointing picture in terms of the trends over the last ten years. Over the last ten years, except for *Medical & Public Health*, for most other important social services (including *Education*) the level of spending from the state budget (as a proportion of the NSDP) has remained stagnant. Out of the total expenditure on social services, a major share has gone towards *Education*, which is also the case in almost every other state. **Table 3.6** presents a more detailed picture in this regard. The expenditures from the state budget on *Education* were much higher than those on other social services; and it was at its highest level of 6.55 percent of NSDP in the year 1999-00. The level of spending on *Education* had reportedly gone up significantly in 1999-2000 due to the recruitment of 25,000 teachers that year. The hike in salary of teachers in the wake of the pay scale revision in the late 1990s can also be expected to have played a major role in this regard. But after 1999-2000, the expenditure on education had gradually declined and the trend has been reversed only since 2005-06. We may note here that the state government of Bihar had carried out the recruitment of 1,00,000 teachers in 2005-06. Expenditure from the state budget on *Education* had further increased to 6.4 percent of the NSDP in 2006-07 (RE), although it has come down to 5.9 percent of the NSDP in 2007-08 (BE). In terms of programmes/ schemes meant for education of children, these results indicate that child education would have got much higher priority than other sectors relating to children (such as child survival & health, early childhood care & development, and protection of children in difficult circumstances) in the state budgets of Bihar. However, this does not imply that the child education sector in Bihar has received adequate amount of public resources vis-à-vis the requirements.

On the other hand, we find that expenditure on *Medical & Public Health* has been increased mainly from 2005-06, which bears out the claims made by the present state government that it has given much greater emphasis on Public Health than before. However, the spending on *Family Welfare* has fallen visibly from around 0.4 percent of the NSDP in 1999-2000 to 0.22 percent of the NSDP in 2007-08. This raises a serious concern as most of the plan programmes/ schemes targeted towards child survival and child health fall under the category of *Family Welfare*. In the last few years, the central government has been increasing the budget outlays for central sector schemes addressing the needs of child survival and health, like the *Reproductive & Child Health (RCH)* programme and the programme for *Strengthening of Immunization and Eradication of Polio* (we may note here that in case of both of these, the state budgets of Bihar do not capture the central government funds released for the state). However, the total magnitude of spending on programmes/ schemes addressing the needs of child survival and health in Bihar cannot be increased unless the state budget outlays on such programmes is increased concurrently or at least sustained at their earlier levels when the central government is increasing its budget outlays.

The expenditure from the state budget on *Water Supply & Sanitation* has been increased significantly only since 2006-07; but during 1998-99 to 2005-06, the expenditure on this service had fluctuated between 0.3 to 0.6 percent of the NSDP. Expenditures from the state budget on two other important social services, viz. *Social Security & Welfare* and *Welfare of SCs, STs & OBCs* have been much smaller over the study period, and these expenditures have not shown any noticeable increase even in the most recent state budgets unlike some other social services which have got greater attention than before. The implication of the lower priorities for *Social Security & Welfare* and *Welfare of SCs, STs & OBCs* could be the neglect of targeted interventions (programmes/ schemes) meant for protection of children in difficult circumstances in Bihar, since according to the prevailing budgetary classification most such interventions (for child protection) would fall under *Social Security & Welfare* and some would also fall under *Welfare of SCs, STs & OBCs*. Moreover, some of the targeted interventions meant for early childhood care & development (such as, crèches or homes for infants) fall under the category of *Social Security & Welfare* in the state budget. Hence, the low priorities for *Social Security & Welfare* in the state budgets of Bihar indicate that the state government has not provided

adequate resources for some of the targeted interventions meant for early childhood care & development.

Table 3.7 and **chart 3.6** show the expenditures on the specific social services as proportions of the total state budget. We find that the priority accorded to *Education* in the state budgets of Bihar has varied between 21 percent to around 16 percent over the last decade, which is far greater than the priorities accorded to the other services. The priorities in the state budgets for *Medical & Public Health* and *Water Supply & Sanitation* have increased noticeably since 2005-06. On the other hand, the priorities in the state budgets for *Family Welfare*, *Social Security & Welfare* and *Welfare of SCs, STs & OBCs* have either declined or been stagnant over the last ten years. We may note here that, even in case of services like *Education* and *Medical & Public Health*, despite the stepping up of the priorities in the recent years, the per capita expenditures in Bihar on these two major services are still very low (at Rs. 548 and Rs. 89 respectively, in 2006-07, as per the Govt. of Bihar's *Economic Survey, 2007-08*).

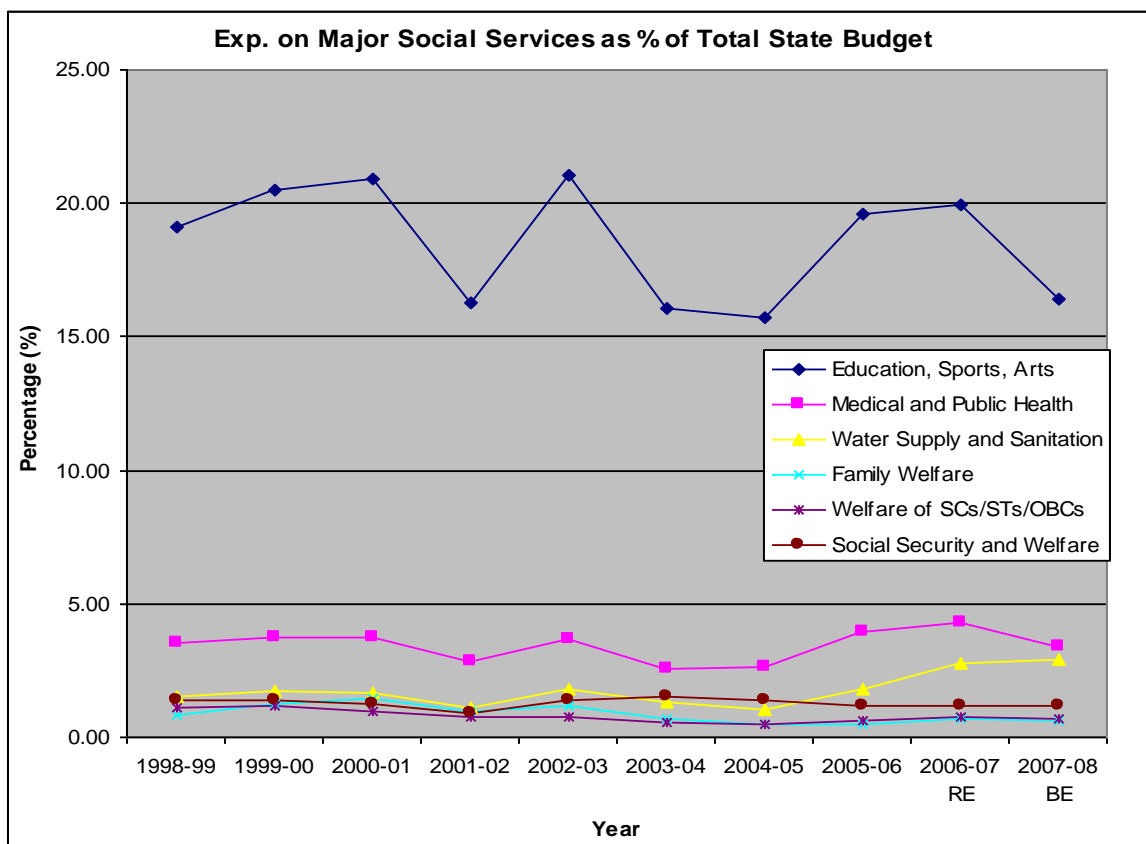
Table 3.7: Expenditure on Major Social Services as Proportion of total State Budget (in %)

Year	Education, Sports, Arts	Medical & Public Health	Water Supply & Sanitation	Family Welfare	Welfare of SCs, STs & OBCs	Social Security & Welfare
1998-99	19.11	3.50	1.51	0.84	1.11	1.42
1999-00	20.50	3.71	1.75	1.23	1.16	1.38
2000-01	20.90	3.72	1.63	1.47	0.94	1.27
2001-02	16.29	2.87	1.13	0.98	0.77	0.87

2002-03	21.02	3.67	1.81	1.15	0.75	1.37
2003-04	16.05	2.53	1.34	0.72	0.55	1.53
2004-05	15.75	2.62	1.05	0.51	0.52	1.40
2005-06	19.60	3.98	1.83	0.52	0.61	1.18
2006-07 RE	19.92	4.31	2.78	0.68	0.77	1.16
2007-08 BE	16.43	3.41	2.88	0.60	0.68	1.18

Source: State Finances: A Study of Budget; various years.

Chart 3.6



Thus, we find that, except for Medical & Public Health, for most other important social services (including Education) the level of spending from the state budget (as a proportion of the NSDP) has remained stagnant over the last ten years. As is the case in most states, the priority accorded to Education in the state budgets of Bihar has been greater than the priorities accorded to the other social services. The priorities in the state budgets of Bihar for some of the important services like, Family Welfare, Social Security & Welfare and Welfare of SCs, STs & OBCs have declined over the last ten years. In terms of provision of budgetary resources for programmes/ schemes targeted towards the development of children, the results indicate that several of the sectors relating to children, such as child survival & health, early childhood care & development, and protection of children in difficult circumstances, could have been neglected in the state budgets of Bihar.

This brings us to the question relating to the reasons underlying the low levels of spending on social services from the state budgets of Bihar, which we shall probe with reference to the fiscal health of the state over the last ten years. However, before we move on to that discussion, it may be worthwhile to take a quick look at the ability shown by the state in utilizing its state budget outlays for social services during 2000-01 to 2005-06.

3.3 Utilization of State Budget Outlays for Social Services

We can draw a preliminary idea about the ability of Bihar with regard to utilization of its state budget outlays for social services from the figures shown in **table 3.8**. We may note here that when a Government presents its estimates of expenditures in the approaching fiscal year, the figures are termed Budget Estimates (BE); while the actual expenditures incurred by the Government in a fiscal year (after that fiscal year is over) are termed Actuals or Accounts (AE). Hence, a comparison of the Actual Expenditure with the Budget Estimate shows the extent to which the Government was able to use the outlay that was approved in the Budget. The following table presents such a comparison of Bihar's Actual Expenditures with the Budget Estimates (i.e. outlays approved in the state budget) taking into account the total expenditure on all social services.

Table 3.8: Deviations of Actual Expenditures from the Budget Estimates: Social Services

Year	BE - AE (Rs. Crore)	(BE – AE) as % of BE
2000-01	557.19	8.4
2001-02	72.27	1.6
2002-03	-202.38	- 4.3
2003-04	-46.39	- 0.9
2004-05	758.68	13.3
2005-06	229.11	3.1

Note: - (negative) sign represents a higher AE than BE.

Source: Computed from RBI, State Finances: A Study of Budgets, various issues.

We find that among the six years taken into consideration only 2002-03 presents an exceptional case, in which the Actual Expenditure on social services exceeded the Budget Estimate for the same by 4.3 percent. However, in four of these six years, viz. 2000-01, 2001-02, 2004-05 and 2005-06, the Actual Expenditure on social services (from the state budget of Bihar) was lower than the Budget Estimate. The extent of under-utilization of approved outlays from the state budget for social services was a high 8.4 percent in 2000-01, which was even higher in 2004-05 at 13.3 percent. In this regard, we may note here that after the Fodder Scam in Bihar in 1997, for several years there was reportedly a fear among Government Officials with regard to spending, which might have been one of the factors leading to the under-utilization of the approved budget outlays in Bihar during the Ninth Five Year Plan (1997-98 to 2001-02) period. Likewise, as we had mentioned earlier, 2004-05 was the last year of the earlier state government as well as a year of Elections in Bihar, due to which there was a general compression of public expenditure in the state. This factor may have led to the high extent of under-utilization of approved budget outlays for social services in 2004-05.

There can be a number of factors underlying the inability of the states with regard to utilization of the approved outlays for plan expenditure on social services. In the present study, these factors are examined for Bihar with reference to some of the flagship schemes in the social sector, which is discussed in Chapter Five.

3.4 Fiscal Health of Bihar

It is obvious that the fiscal health of a state government would strongly influence its ability to provide adequate financial resources for different sectors for achieving the various developmental goals. Therefore, the question pertaining to the reasons underlying low levels of spending on social services (from the state budgets of Bihar) leads us to look at the fiscal health of Bihar over the last ten years.

In this section, we shall first discuss the resource mobilization efforts of the Bihar state government over the last ten years. The different sources of funds for a state budget can be broadly categorized as the following: state's own tax revenue, state's own non-tax revenue, central transfers (i.e. state's share in central taxes, non-plan grants from the centre and central assistance for state plan), and borrowings. It is obvious that for adequate financing of various developmental activities and smooth functioning of the whole administrative system, mobilization of sufficient resources is a prerequisite; and the efforts of the state government with regard to its own tax and non-tax revenues are important in this context.

Chart 3.7, presents the trends in **own tax revenue** collection by Bihar during 1998-99 to 2007-08. And, **tables 3.9** and **3.10** present a comparison of own tax revenues collected by seventeen major states over the same time period. It is evident that Bihar's own tax revenue collection has been stagnant over the years— the own tax revenue of Bihar has been within the range of 4.4 % of NSDP to 5.7 % of NSDP over the last ten years. Apart from only Jharkhand and West Bengal (both of which have collected own tax revenues in the vicinity of 5 % of their NSDP even in the last three years) all other selected states have performed much better than Bihar in terms of own tax revenues. However, when we compare the own tax revenue with the magnitude of the total state budget, we find that Jharkhand and West Bengal have performed better than Bihar as in their case the own tax revenue accounts for a higher share of the state budget than it does for Bihar. In case of Bihar, its own tax revenue had accounted for 19.8 % of the state budget in 1998-99, but it has accounted for much smaller shares of the total state budget in the subsequent years. Whereas for some of the better performing states like Karnataka, Tamil Nadu and Haryana, the own tax revenue has accounted for as much as 50 to 60 % of the respective state budget (see **table 3.10**).

The low share of own tax revenue in Bihar can be explained to a large extent by the structure of the Bihar economy. The economy is mainly agrarian, unorganized, with very little manufacturing activity. In recent years, Bihar has seen a shift towards services, which now account for more than 53 percent of GSDP. A predominant part of the services sector comes from public administration and the rest of the services sector is largely unorganized. So the expansion reflected in the growth of the economy does not translate into a commensurate growth in the tax base.

Chart 3.7

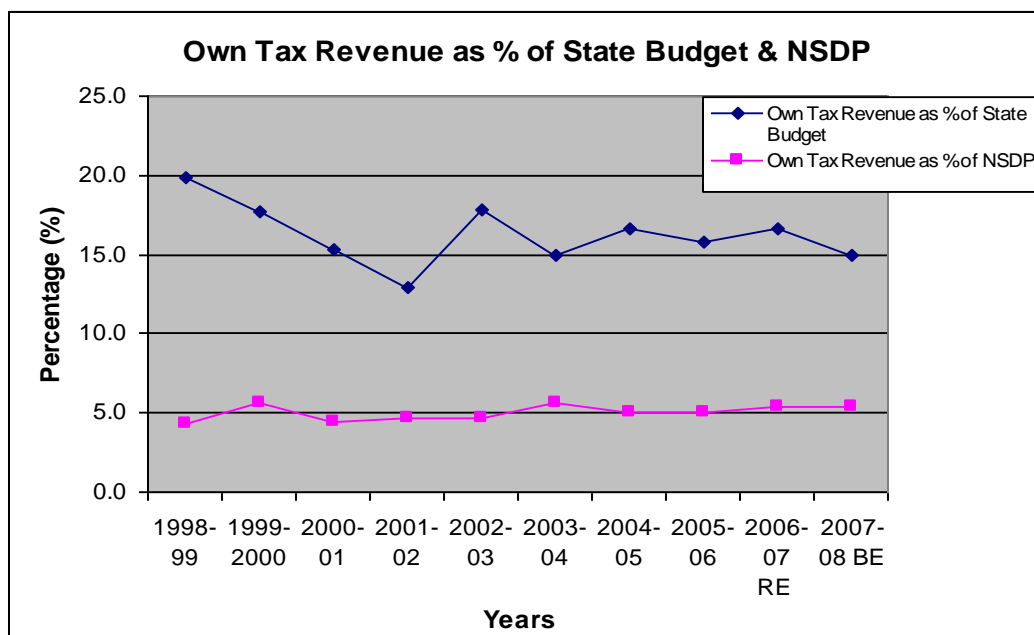


Table 3.9: Own Tax Revenue as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	7.5	7.7	8.0	8.8	8.3	8.0	8.6	9.1	10.5	11.8
Bihar	4.4	5.7	4.5	4.7	4.7	5.6	5.0	5.0	5.4	5.4
Chhattisgarh			3.3	7.7	8.3	7.4	8.0	8.9	10.5	10.6
Goa	7.2	8.2	8.7	9.2	8.6	8.8	8.5	10.0	9.7	9.0
Gujarat	9.3	8.8	9.8	9.1	8.1	7.8	8.2	8.4	8.8	8.9
Haryana	7.5	7.5	8.1	8.3	8.4	8.4	8.7	9.3	9.1	9.3
Jharkhand				6.9	6.9	6.2	4.8	5.2	5.1	5.2

Karnataka	8.9	9.0	9.8	10.3	10.0	11.0	12.2	12.3	14.3	14.5
Kerala	8.4	8.6	9.3	8.8	9.7	9.6	9.7	9.5	10.6	11.1
Madhya Pradesh	7.5	8.0	7.9	6.1	8.0	7.5	8.3	9.0	9.1	9.9
Maharashtra	7.1	7.8	8.9	8.9	8.6	8.4	9.0	8.7	9.5	9.9
Orissa	4.3	4.5	5.7	6.0	6.5	6.1	6.7	7.3	7.2	8.0
Punjab	5.8	6.5	7.2	6.8	7.8	7.7	8.1	9.2	8.9	9.1
Rajasthan	5.7	6.1	7.3	7.0	8.2	7.4	8.4	9.2	9.2	9.8
Tamil Nadu	8.8	9.1	9.4	9.9	10.4	10.4	11.1	12.0	13.1	13.3
Uttar Pradesh	5.5	6.0	6.8	6.1	7.0	6.8	7.3	7.8	9.0	9.5
West Bengal	4.2	4.1	4.5	4.5	4.6	5.1	5.3	4.9	5.4	5.6

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization

Table 3.10: Own Tax Revenue as % of State's total Budget

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	36.3	39.6	37.5	40.4	36.7	34.4	34.5	39.8	41.6	40.2
Bihar	19.8	17.7	15.3	12.9	17.8	14.9	16.7	15.8	16.7	14.9
Chhattisgarh			39.1	36.4	38.5	31.7	38.0	43.6	39.1	38.9
Goa	24.5	28.4	26.2	24.2	25.1	29.4	33.7	38.5	35.6	29.1
Gujarat	39.7	38.0	33.3	36.0	35.4	33.9	37.1	45.9	47.6	50.0
Haryana	36.4	42.1	47.1	46.3	52.4	42.0	51.5	61.2	54.5	59.5
Jharkhand				26.2	23.2	23.4	20.6	21.5	19.9	21.6

Karnataka	46.6	43.5	46.0	44.9	43.4	42.9	46.9	53.3	53.9	54.3
Kerala	43.8	40.3	44.6	45.1	43.0	40.9	44.2	46.3	41.7	44.9
Madhya Pradesh	32.0	32.3	33.3	27.7	32.5	28.4	26.4	31.5	33.2	34.1
Maharashtra	46.8	45.1	46.7	50.1	48.3	41.2	42.1	48.8	51.5	55.5
Orissa	13.5	12.1	13.5	13.3	13.8	14.3	24.1	31.8	28.2	28.1
Punjab	29.8	33.0	34.7	30.7	32.9	30.2	33.1	43.9	36.3	36.3
Rajasthan	27.5	27.9	30.3	29.9	29.0	28.0	29.1	36.3	34.8	35.9
Tamil Nadu	48.4	48.3	50.3	52.4	47.6	47.2	46.3	60.2	52.7	55.3
Uttar Pradesh	25.1	27.2	29.9	27.1	30.3	19.6	26.5	31.5	33.1	31.1
West Bengal	27.8	22.5	22.1	23.2	25.4	22.8	29.6	25.6	29.0	30.5

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization

On the other hand, Bihar's performance in collection of **own non-tax revenues** has also been the worst among all the selected states, excluding West Bengal (see **tables 3.11** and **3.12**). It is rather disturbing to note that Bihar's non-tax revenue collection has declined sharply after the bifurcation of the undivided state (see **chart 3.8**). This bears out the claim made by the state government of Bihar that bifurcation of the state has adversely affected its resource mobilization capacity.

Chart 3.8

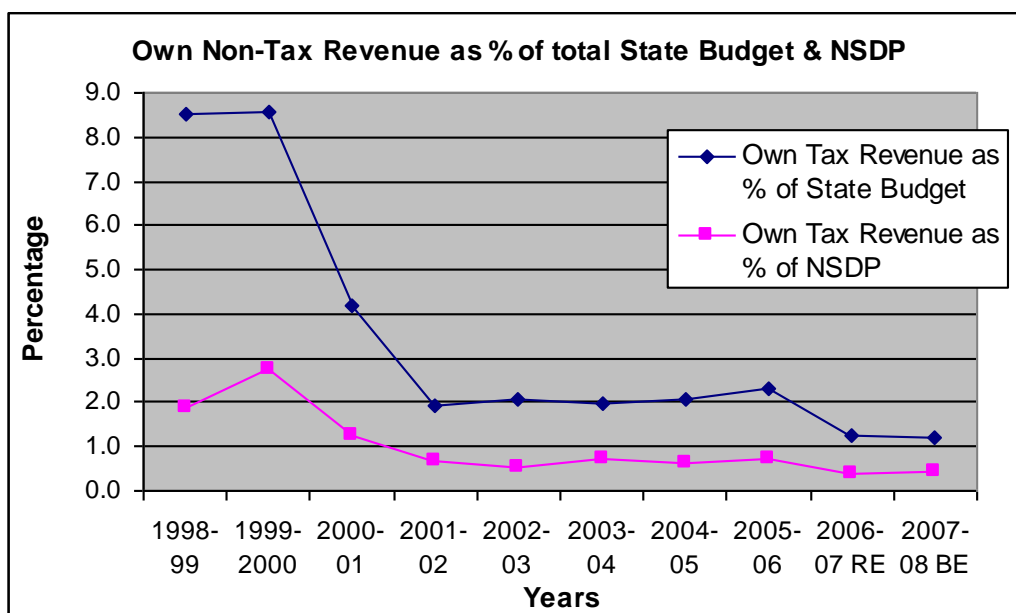


Table 3.11: Own Non-Tax Revenue as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	1.7	2.1	2.1	2.0	2.3	2.1	2.0	2.2	2.3	2.6
Bihar	1.9	2.7	1.2	0.7	0.5	0.7	0.6	0.7	0.4	0.4
Chhattisgarh			1.3	2.8	3.4	3.2	3.1	2.7	2.8	3.1
Goa	13.1	11.4	13.4	18.4	14.8	9.0	7.3	6.9	7.5	11.8
Gujarat	3.4	3.2	3.6	3.7	3.4	2.3	1.9	1.8	1.9	1.6
Haryana	3.7	2.7	2.7	2.8	2.7	2.9	3.0	2.5	2.6	2.2
Jharkhand				3.2	2.9	3.2	2.4	2.5	2.3	2.4
Karnataka	1.9	1.9	1.8	1.1	1.2	2.6	3.4	2.6	2.6	1.0
Kerala	1.0	0.9	1.0	0.8	0.9	1.0	0.9	0.9	0.9	0.9
Madhya	2.6	3.4	2.4	2.1	2.1	1.6	4.8	2.2	2.1	2.0

Pradesh										
Maharashtra	1.8	1.8	2.5	1.9	1.7	1.2	1.2	1.5	1.3	1.2
Orissa	1.6	1.9	1.8	1.7	2.2	2.0	2.2	2.2	2.3	1.9
Punjab	2.7	3.9	4.3	4.2	5.5	5.9	6.2	4.7	5.4	5.6
Rajasthan	2.0	2.1	2.3	1.9	2.0	2.1	2.1	2.6	2.6	2.6
Tamil Nadu	1.1	1.1	1.3	1.2	1.3	1.4	1.3	1.3	1.4	1.2
Uttar Pradesh	1.0	1.3	1.2	1.1	1.0	1.1	1.3	1.2	2.0	2.3
West Bengal	0.3	0.5	0.9	0.5	0.4	0.4	0.7	0.5	0.5	0.5

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization

Table 3.12: Own Non-Tax Revenue as % of State Budget

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	8.4	10.7	9.8	9.4	10.3	9.0	8.0	9.7	9.1	8.8
Bihar	8.5	8.6	4.2	1.9	2.1	2.0	2.1	2.3	1.3	1.2
Chhattisgarh			15.0	13.2	15.8	13.8	14.6	13.2	10.4	11.2
Goa	44.6	39.2	40.6	48.3	43.3	30.0	28.7	26.7	27.5	38.1
Gujarat	14.4	13.6	12.3	14.7	14.8	9.9	8.9	9.8	10.4	9.3
Haryana	17.7	15.1	15.7	15.5	17.1	14.7	17.6	16.6	15.4	14.2
Jharkhand				12.1	9.8	11.8	10.5	10.4	9.1	9.7
Karnataka	9.9	9.0	8.4	5.0	5.3	10.1	13.1	11.1	9.7	3.8
Kerala	5.3	4.1	5.0	4.1	4.0	4.1	4.0	4.4	3.6	3.7
Madhya Pradesh	11.2	13.7	10.2	9.4	8.6	6.2	15.2	7.6	7.6	7.1

Maharashtra	11.8	10.3	13.3	11.0	9.6	5.8	5.7	8.6	6.8	7.0
Orissa	5.1	5.1	4.2	3.7	4.6	4.8	7.8	9.7	9.1	6.7
Punjab	13.7	19.7	20.8	18.9	23.3	22.9	25.5	22.2	21.9	22.1
Rajasthan	9.5	9.7	9.6	7.9	7.3	8.0	7.4	10.1	9.8	9.4
Tamil Nadu	5.8	6.0	7.0	6.3	6.2	6.2	5.3	6.7	5.4	5.1
Uttar Pradesh	4.7	5.8	5.3	4.7	4.5	3.3	4.6	4.9	7.3	7.6
West Bengal	2.2	2.6	4.5	2.8	2.4	1.6	4.0	2.5	2.8	2.8

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization.

Given the low levels of own tax and non-tax revenues collected by the state, it is quite likely that Bihar has had to depend heavily on **the central transfers** (i.e. state's share in central taxes, non-plan grants from the centre and central assistance for state plan) for its budgets. This becomes evident from the trends shown in chart 3.9, which clearly indicate that central transfers to Bihar have been increasing as a percentage of Bihar's NSDP and they have accounted for a sharply increasing share of the total state budget of Bihar. As shown in chart 3.10, the increase in total central transfers has been on account of both increasing magnitude of Bihar's share in central taxes and increasing magnitude of central grants for Bihar. As shown in table 3.13 (and table 3.14), the total central transfers for Bihar have increased from 8.9 % of the NSDP (40.5 % of the state budget) in 1998-99 to 24 % of the NSDP (66.4 % of the state budget) in 2007-08 (BE).

Chart 3.9

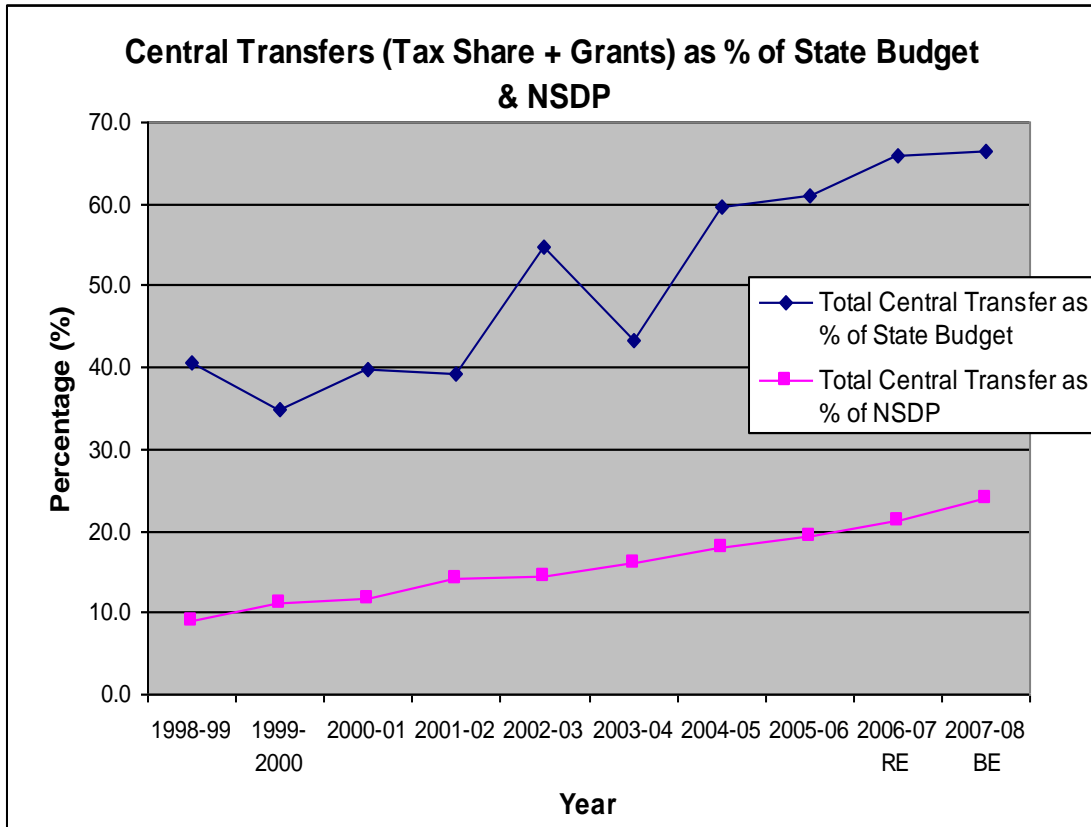


Chart 3.10

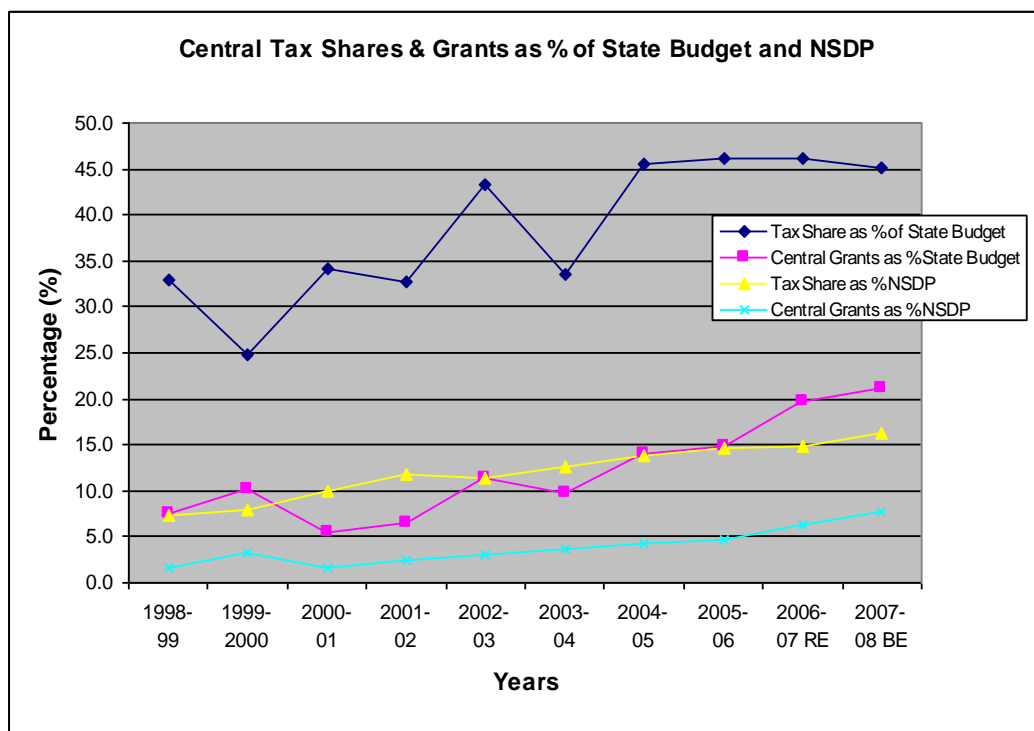


Table 3.13: Total Central Transfer (Tax Share + Grants) as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	4.2	4.6	4.7	4.5	4.5	5.5	4.6	5.2	6.0	6.3
Bihar	8.9	11.2	11.7	14.2	14.3	16.1	18.1	19.4	21.2	24.0
Chhattisgarh			3.7	6.4	7.6	6.4	6.9	7.8	10.1	10.0
Goa	2.8	2.4	2.9	2.7	2.7	2.3	2.3	2.8	3.5	3.9
Gujarat	2.9	3.0	3.6	2.9	3.7	2.7	2.7	3.2	3.8	3.5
Haryana	2.0	2.1	1.5	1.6	2.0	1.7	1.4	2.4	2.1	2.1
Jharkhand				10.2	12.7	11.0	7.3	7.1	9.1	9.5
Karnataka	3.6	4.1	4.5	4.6	4.3	4.6	4.6	5.2	5.9	6.6
Kerala	3.6	3.7	3.5	3.8	3.5	3.5	4.0	4.5	5.2	5.2

Madhya Pradesh	6.5	6.8	8.9	6.3	7.3	6.6	8.0	9.2	11.1	11.7
Maharashtra	2.0	1.8	1.9	1.7	1.4	1.9	1.9	2.3	3.4	3.6
Orissa	7.3	9.1	10.5	9.5	10.4	9.3	10.1	11.1	12.6	13.6
Punjab	1.8	1.9	2.3	1.6	1.8	1.7	1.7	3.5	3.9	4.4
Rajasthan	4.8	5.0	7.4	6.1	6.9	6.2	7.2	7.7	8.9	9.3
Tamil Nadu	3.2	3.4	3.3	3.2	3.4	3.7	3.9	4.1	4.4	4.6
Uttar Pradesh	5.5	6.4	7.3	8.0	7.2	7.9	9.0	9.7	11.1	13.4
West Bengal	3.7	3.6	5.6	5.0	4.4	4.2	4.6	5.8	5.7	5.9

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization

Table 3.14: Central Transfer (Tax Share + Grants) as % of State Budget

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	20.3	23.5	22.0	20.5	19.9	23.6	18.5	22.7	23.7	21.3
Bihar	40.5	35.0	39.8	39.3	54.7	43.2	59.6	60.9	65.9	66.4
Chhattisgarh			44.1	30.3	35.3	27.5	32.7	38.3	37.9	36.7
Goa	9.6	8.4	8.8	7.1	8.0	7.8	9.2	11.0	13.0	12.6
Gujarat	12.3	13.1	12.3	11.6	16.2	11.5	12.1	17.6	20.5	19.7
Haryana	9.8	11.8	9.0	9.0	12.3	8.4	8.1	15.6	12.3	13.3
Jharkhand				38.6	42.5	41.2	31.6	29.2	35.5	39.4
Karnataka	18.9	19.9	21.0	19.9	18.5	17.9	17.6	22.4	22.1	24.9
Kerala	18.8	17.2	16.7	19.7	15.6	14.8	18.3	21.7	20.6	21.2
Madhya Pradesh	27.9	27.5	37.2	28.9	29.4	25.2	25.5	32.0	40.3	40.3

Maharashtra	13.1	10.6	10.1	9.8	8.0	9.3	8.7	13.1	18.7	20.2
Orissa	22.8	24.7	24.9	20.9	22.2	21.9	36.5	48.0	49.2	47.9
Punjab	9.0	9.7	11.0	7.3	7.6	6.5	7.2	16.8	15.8	17.5
Rajasthan	23.0	22.7	30.9	26.2	24.4	23.6	24.9	30.2	33.7	34.2
Tamil Nadu	17.5	17.9	17.7	17.1	15.4	16.8	16.5	20.7	17.9	19.1
Uttar Pradesh	25.4	29.1	32.2	35.4	31.2	22.7	32.5	39.4	41.1	44.1
West Bengal	24.6	19.9	27.6	25.8	24.6	18.8	25.8	30.3	30.8	32.3

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization

We find that the share of the central transfers for Bihar in the total state budget has not only been the highest among the seventeen major States selected but it has also been far higher than all other states, including other backward states like Orissa, Uttar Pradesh and Madhya Pradesh. It shows that Bihar's entitlements in terms of transfers from the centre, based on the Finance Commission formulae, have been the highest and it reflects the socio-economic reality of the state. However, it also shows that the magnitude of Bihar's state budgets have been constrained mainly by its low levels of own tax and non-tax revenues. The state government's ability to improve its own tax and non-tax revenues are limited by the structure and patterns of growth of the Bihar economy. The challenge for the Government is to intensify its revenue collection efforts within these limits to step up its ability to finance social services and other important services that are crucial for achieving various developmental goals.

However, a higher magnitude of the state budget alone cannot ensure that the state is able to provide greater amount of resources for social services as long as the burden of committed expenditures on the state government remains high. In this context, it may be useful to look at the burden of Interest Payments which has confronted Bihar over the last ten years.

Table 3.16, shows that **Gross Interest Payments** as a proportion of the total state budget of Bihar had reached the highest level of 20.7 percent in the year 2002-03, although the share of Interest Payments in the state budget has fallen in the subsequent years. We may note here that, according to state government sources, following the bifurcation of Bihar in 2001-02 the Government of Bihar (divided) had got almost 70 % of the liabilities of the undivided state while

the Government of Jharkhand had got only 30 % of the liabilities. This is said to have increased Bihar's Gross Interest Payments to the highest level, as observed earlier, in 2002-03.

Chart 3.11

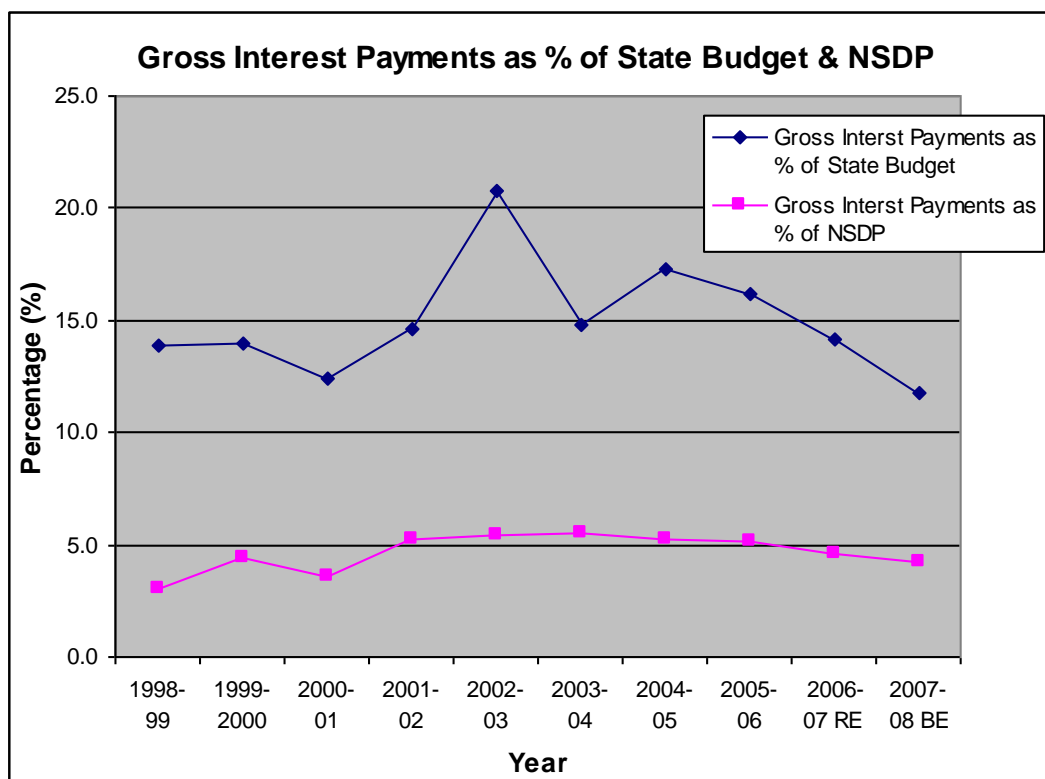


Table 3.15: Gross Interest Payments as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	2.5	2.7	2.9	3.2	4.0	4.0	3.8	3.3	3.3	3.2
Bihar	3.1	4.5	3.6	5.3	5.4	5.5	5.2	5.1	4.6	4.2
Chhattisgar			1.3	2.7	2.9	3.0	2.9	2.1	2.1	2.1

h										
Goa	2.9	3.2	3.6	4.2	4.2	4.0	3.2	3.7	3.5	3.6
Gujarat	2.7	3.0	3.4	4.1	4.2	4.1	3.8	3.3	3.3	3.3
Haryana	2.4	2.9	2.8	2.7	2.9	2.8	2.6	2.2	2.0	1.9
Jharkhand				2.6	2.9	2.7	1.5	1.3	1.3	2.7
Karnataka	2.1	2.3	2.6	2.8	3.2	3.2	2.9	2.5	2.5	2.6
Kerala	2.6	3.2	3.6	3.7	3.9	4.0	3.9	3.7	3.9	3.8
Madhya Pradesh	2.7	2.9	3.4	2.9	3.3	3.5	3.9	3.4	3.5	3.6
Maharashtra	1.8	2.2	2.4	2.7	2.7	2.8	2.7	2.4	2.8	2.6
Orissa	4.3	3.2	6.0	6.9	6.5	5.3	5.3	5.4	4.1	4.9
Punjab	4.1	4.3	3.5	4.5	4.7	4.7	4.6	3.8	3.9	3.7
Rajasthan	3.3	3.8	4.6	4.8	5.6	4.9	5.2	4.9	4.7	4.6
Tamil Nadu	1.9	2.3	2.4	2.7	3.0	3.1	2.7	2.3	2.6	2.4
Uttar Pradesh	3.8	4.2	4.6	4.9	3.9	5.1	5.5	3.8	3.9	3.8
West Bengal	2.6	3.3	4.0	4.4	5.0	5.3	5.1	4.6	4.6	4.5

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization.

Table 3.16: Gross Interest Payments as % of the State Budget

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	12.0	13.6	13.5	14.8	17.8	17.1	15.0	14.5	13.2	11.0

Bihar	13.9	13.9	12.4	14.6	20.7	14.8	17.3	16.2	14.2	11.8
Chhattisgarh			15.0	12.8	13.4	12.9	13.6	10.4	7.8	7.7
Goa	9.9	11.0	10.8	10.9	12.2	13.3	12.7	14.0	13.0	11.7
Gujarat	11.8	13.1	11.5	16.4	18.4	17.6	17.4	17.9	18.0	18.6
Haryana	11.6	16.2	16.3	15.1	18.4	14.0	15.5	14.2	11.8	12.2
Jharkhand				9.9	9.6	10.2	6.6	5.4	4.9	11.0
Karnataka	10.9	11.3	12.1	12.2	13.7	12.7	11.1	10.8	9.5	9.8
Kerala	13.6	15.1	17.2	19.0	17.4	16.8	17.8	18.0	15.4	15.5
Madhya Pradesh	11.5	11.9	14.2	13.3	13.2	13.4	12.4	11.8	12.7	12.4
Maharashtra	12.1	12.8	12.4	15.1	15.1	13.7	12.4	13.6	15.0	14.7
Orissa	13.5	8.8	14.1	15.3	13.9	12.4	19.2	23.5	16.0	17.2
Punjab	21.1	22.0	16.6	20.3	19.8	18.3	19.0	18.2	16.0	14.5
Rajasthan	15.7	17.4	19.1	20.4	20.0	18.5	17.9	19.1	17.6	17.0
Tamil Nadu	10.7	12.0	12.8	14.2	13.7	13.9	11.4	11.8	10.3	9.9
Uttar Pradesh	17.5	18.9	20.3	21.6	16.8	14.6	20.1	15.2	14.4	12.4
West Bengal	17.2	18.4	19.6	22.7	27.7	24.0	28.7	24.0	25.2	24.6

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization.

We may also note here that the problem of a high level of gross interest payments from the state budget, which has affected Bihar, has been more acute in case of some other states like Orissa, West Bengal, Kerala, Punjab, Rajasthan and Gujarat. However, it is a welcome trend that in the last three years; the share of gross interest payments in the state budget of Bihar has been declining (see **chart 3.11**), which can be attributed at least partly to a *Debt Swap Scheme* implemented during 2002-03 to 2005-06 (explained later in this section) and the lowering of administered interest rates in the country.

Table 3.17, shows how the magnitude of the state budget of Bihar has varied as a proportion of NSDP of Bihar over the last ten years.

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Table 3.17: Size of the State Budget as % of NSDP of Bihar

Year	Total Expenditure from State Budget (Rs. Crore)	NSDP of Bihar (Rs. Crore)	Total Exp. from State Budget as % of NSDP
1998-99	13475.79	61322*	21.98
1999-00	20542.78	64272*	31.96
2000-01	19202.01	65598*	29.27
2001-02	18882.32	52298	36.11
2002-03	15505.53	59278	26.16
2003-04	22481.89	60235	37.32
2004-05	20057.99	66202	30.30
2005-06	22568.47	71006	31.78
2006-07 RE	27136.47	84426	32.14
2007-08 BE	33257.08	92166	36.08

Source: Budget at a Glance, Bihar; various years.

* NSDP figures of undivided Bihar (source: Govt. of India, Economic Survey 2003-04).

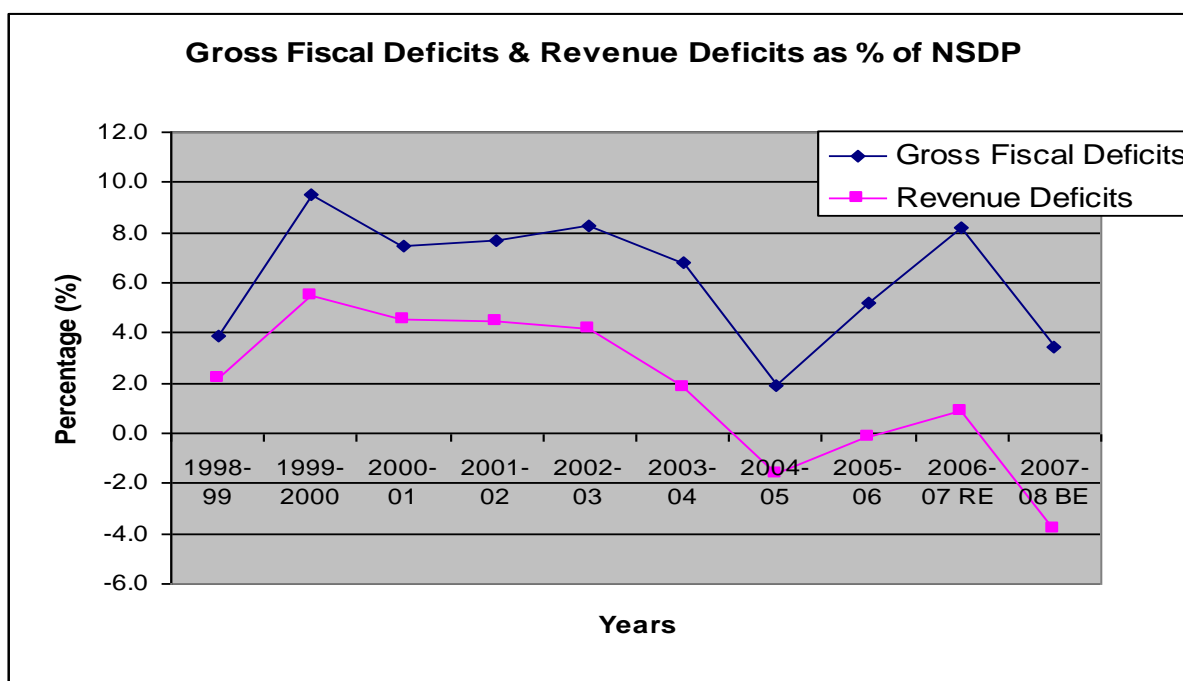
We find that the **magnitude of the total state budget** has fluctuated from 22 percent to 37 percent of Bihar's NSDP over the last decade. In absolute terms, the magnitude of the total State Budget (at current prices) has fluctuated from Rs. 13,476 crore to Rs. 22,482 crore during the first seven years of the study period, i.e. during 1998-99 to 2004-05, whereas for most other States we can expect to find a trend of increasing magnitude of the State Budget (at current prices). The fluctuations in the magnitude of the State Budget indicate the acute crisis in the fiscal health of Bihar during 1998-99 to 2004-05. Since 2005-06, however, the magnitude of the State Budget has been increasing consistently.

It would be worthwhile to look at some of the important fiscal indicators to comprehend the overall fiscal situation of Bihar during the years 1998-99 to 2007-08. The **fiscal deficit**⁵ and the **revenue deficit**⁶ are widely seen as important indicators of fiscal situation of a Government. **Chart 3.12**, shows the magnitudes of Bihar's fiscal deficit and revenue deficit as proportions of its NSDP during the last ten years.

⁵ The gross fiscal deficit (GFD), or fiscal deficit, of a state for any particular year measures the gap between its total expenditure and its total receipts other than borrowing in that year. Hence, fiscal deficit shows the borrowing which the state government needs to incur in order to fill the gap between its expenditure and its receipts in a particular financial year.

⁶ The revenue deficit of a state for any particular year measures the gap between its total revenue account expenditure and its total revenue account receipts in that year. The revenue deficit captures a part of the fiscal deficit.

Chart 3.12



Tables 3.18 and **3.19** show the magnitudes of the fiscal deficits and revenue deficits for seventeen major states over the last decade, which would help us situate the fiscal crisis of Bihar in the overall national context.

Table 3.18: Gross Fiscal Deficit as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	5.4	4.3	5.6	4.7	5.0	4.3	4.3	3.9	3.3	3.2
Bihar	3.9	9.5	7.4	7.7	8.3	6.8	1.9	5.2	8.2	3.4
Chhattisgarh			-0.2	4.1	3.5	6.3	3.1	0.9	2.8	2.8
Goa	5.4	6.1	7.0	6.7	5.4	5.5	5.5	5.5	5.8	5.4
Gujarat	6.8	7.3	8.7	6.4	5.1	6.4	5.5	3.4	2.9	2.5

Haryana	5.4	4.5	4.2	4.6	2.2	3.9	1.4	0.3	0.6	1.2
Jharkhand				5.5	6.6	4.5	7.3	8.9	8.5	6.6
Karnataka	4.0	5.0	4.6	6.1	5.1	3.9	2.7	2.4	3.2	3.4
Kerala	5.4	7.5	6.1	4.9	6.7	6.6	4.8	4.1	7.3	6.0
Madhya Pradesh	6.0	5.4	3.8	4.7	5.3	8.1	6.9	4.5	4.1	3.9
Maharashtra	3.7	5.3	4.1	4.6	5.4	6.0	5.5	4.6	3.7	2.4
Orissa	8.5	9.8	8.7	9.7	6.4	6.6	2.2	0.4	1.2	1.2
Punjab	6.7	5.2	5.8	7.0	6.0	6.1	4.7	2.7	5.1	5.0
Rajasthan	7.5	7.2	5.9	7.1	8.0	7.5	6.1	4.8	4.1	4.0
Tamil Nadu	4.4	4.5	3.9	3.6	4.9	3.6	3.2	1.2	3.1	0.3
Uttar Pradesh	8.1	7.1	6.3	5.9	5.2	8.3	6.1	4.2	4.1	4.3
West Bengal	6.2	9.3	8.3	8.2	6.9	7.5	5.6	4.5	5.1	4.5

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization.

Table 3.19: Revenue Deficits as % of NSDP

States	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Andhra Pradesh	2.5	1.1	2.7	2.0	2.0	1.7	1.4	0.03	0.02	0.01
Bihar	2.2	5.5	4.5	4.5	4.1	1.8	-1.6	-0.1	0.9	-3.8
Chhattisgarh			-1.2	2.1	0.4	1.8	-0.4	-3.0	-3.3	-3.2
Goa	2.8	3.8	3.8	3.7	2.4	1.8	1.2	0.2	0.3	0.1
Gujarat	3.5	3.9	6.8	6.6	3.0	2.6	2.5	0.2	-0.9	-0.7
Haryana	3.7	2.5	1.1	1.8	1.0	0.4	0.3	-1.2	0.6	-0.9

Jharkhand				-0.3	1.0	-0.4	2.2	2.8	1.8	0.7
Karnataka	1.6	2.7	2.0	3.4	2.5	0.5	-1.2	-1.5	-1.7	-0.9
Kerala	3.7	6.0	5.0	3.9	5.5	4.4	4.0	3.1	5.2	4.2
Madhya Pradesh	4.2	4.0	1.9	4.1	1.5	4.9	-1.8	0.0	-1.6	-1.7
Maharashtra	2.0	1.9	3.5	3.4	3.5	2.8	3.0	1.0	0.8	-0.1
Orissa	6.6	6.7	5.0	6.9	3.6	2.6	0.8	-0.7	-0.9	-1.3
Punjab	4.7	4.5	3.4	5.3	5.1	4.5	3.9	1.3	2.0	1.5
Rajasthan	4.3	4.9	3.6	4.7	5.1	3.5	2.1	0.6	-0.1	-0.2
Tamil Nadu	3.1	3.7	2.6	2.1	3.5	1.0	0.4	-1.0	0.1	0.0
Uttar Pradesh	6.0	4.6	3.9	3.7	2.8	9.3	3.3	0.5	-1.2	-2.1
West Bengal	4.3	7.4	5.7	6.2	5.6	5.3	4.4	3.5	3.6	2.8

Source: State Finances: A Study of Budgets; NSDP: Central Statistical Organization.

It is evident from **chart 3.12**, given above, that Bihar suffered a major crisis in its state finances during 1999-2000 to 2003-04. The sharp increase in the magnitude of the state budget in 1999-2000 (from 22 % of NSDP in 1998-99 to 32 % of NSDP in 1999-2000), which would have been caused *inter alia* by the hike in pay scales of government staff (which almost all states did following the implementation of the Fifth Pay Commission recommendations by the central government), seems to have pushed the fiscal deficit to a very high level of 9.5 % of the NSDP (from a much lower 3.9 % of the NSDP in 1998-99). The fiscal deficit of Bihar remained at relatively high levels until 2003-04, but fell sharply to 1.9 % of the NSDP in 2004-05. However, this sharp reduction in fiscal deficit seems to have resulted from the sharp reduction in the magnitude of the state budget from 37.3 % of the NSDP in 2003-04 to 30.3 % of the NSDP in 2004-05. The fiscal deficit had risen considerably in 2005-06 and 2006-07 (RE), although it has fallen in 2007-08 (BE). We also find that in terms of the revenue deficit, the years 1999-2000 to 2002-03 appear to have been the years of acute fiscal stress for Bihar.

However, as can be seen from **tables 3.18** and **3.19**, that Bihar was not the only state to have gone through a fiscal crisis during the late 1990s and early years of the present decade. The trends in the states' fiscal deficits show that other poorer states like, Orissa, West Bengal, Rajasthan, and Uttar Pradesh had fiscal deficits even higher than those of Bihar, while some of the better off states like Gujarat and Punjab also had very high levels of fiscal deficits. In light of this widespread crisis in the states' finances during the late 1990s and early years of the present decade, a section of the economists have pointed out that the crisis in states' finances cannot be attributed solely to the fiscal profligacy of states or the poor performance of some of the states (like Bihar, West Bengal, etc.) in collection of own tax and non-tax revenues, but rather some of the causes of this crisis were rooted in national level developments involving the central government. Such economists have put forward that the rising interest payments burden of the states, the falling tax-GDP ratio at the national level (and consequently lower tax revenues shared with the states) and the sharp increase in salaries of government employees in the states (in the wake of the implementation of the Fifth Pay Commission recommendations by the central government) had a major role in aggravating the fiscal strains of the state governments. Several interventions at both the levels of the central and state governments have followed since then. These have had differential impact on the status of public finance in different states. It is well known that some of the states, during the years of their fiscal crisis, had resorted to checking the recruitment of regular government staff and adopted various other measures for fiscal consolidation. Following the recommendations of the Twelfth Finance Commission (applicable for the years 2005-06 to 2009-10), the central government has increased significantly the magnitude of non-plan grants given to states from 2005-06. Higher tax revenue collection in the central government tax system, in the last four years, has also meant that the magnitudes of the shares given to states in the central taxes have gone up considerably since 2004-05. The Twelfth Finance Commission devolutions and increased buoyancy of central taxes have worked in Bihar's favour in terms of substantial absolute rise in the amount of share of central taxes and non plan grants received by the state.

On the other hand, the Eleventh Finance Commission and the Twelfth Finance Commission had taken some measures to provide incentives to the states for fiscal consolidation. The debt-waiver scheme introduced by the Twelfth Finance Commission has strongly pushed the states towards enacting fiscal responsibility legislations (which makes it legally binding for the state governments to wipe out revenue deficit and reduce fiscal deficit to less than 3 percent of the

state's GSDP within a fixed time-period) and subsequently cut down their deficits. To avail the benefits of the debt-waiver, the Government of Bihar has passed the Bihar Fiscal Responsibility and Budget Management (FRBM) Act in February 2006 and undertaken fiscal measures to achieve the stipulated targets for revenue and fiscal deficits set by the Act. However, the debt-waiver scheme has set the fiscal deficit recorded by the states in 2004-05 as the base level. All states will be judged on the extent to which they can reduce the fiscal deficit compared to what it was in 2004-05. States are entitled to an amount of debt waiver directly proportional to the rate of improvement in the fiscal deficit compared to 2004-05 levels. Bihar, in spite of bringing down its fiscal deficit has got no debt waiver under this scheme from the central government. This is because of the exceptional situation in Bihar in 2004-05. As explained earlier, 2004-05 was a low expenditure year in Bihar mainly because of strictures on spending due to President's rule and election (see the first section). So, the fiscal deficit in this year was very low at 1.9 percent in Bihar compared to 6.8 percent in the previous year and 5.2 percent in the next year (Table 3.18). Thus, in spite of fiscal consolidation in the last three years, Bihar has been denied the debt waiver till date. We can see from **tables 3.18** and **3.19** that many of the states, which had incurred high levels of deficits earlier, have succeeded in bringing down their revenue deficit (and also the fiscal deficit) in the last three financial years. As we can see from table 3.19, Bihar and Orissa had achieved a revenue surplus by 2005-06, while others like Gujarat, Rajasthan and Uttar Pradesh achieved a revenue surplus by 2006-07.

Thus, the available evidences suggest that some of the trends pertaining to fiscal health of Bihar are specific to Bihar while certain other trends match those across several other states. As regards the last three financial years, we find that the magnitude of the state budget of Bihar has increased consistently from Rs. 22,568 crore in 2005-06 to Rs. 27,136 crore in 2006-07 (RE) and then to Rs. 33,257 crore in 2007-08 (BE), despite the state recording a surplus in the revenue account in 2005-06 and 2007-08 (BE). This implies that the ability of the state government to provide greater amount of funds for social services (from its state budget) has increased over the last three years. It would be worthwhile to note here that the priority for expenditure on social services had increased visibly in 2005-06 and 2006-07, as the total expenditure on social services had increased from 7.45 % of the NSDP (24.6 % of the state budget) in 2004-05 to 10.1 % of the NSDP (31.9 % of the state budget) in 2005-06 and then to 11.3 % of the NSDP (35.1 % of the state budget) in 2006-07 (RE), which is a very welcome trend. However, in 2007-08 (BE), the total expenditure on social services has fallen marginally

to 10.9 % of the NSDP (30.1 % of the state budget). It is imperative for the state government to expand the magnitude of its state budget and step up the priority for expenditure on social services, since we have already seen that the levels of per capita expenditure on social services (from the state budget) in Bihar are still the lowest among all states.

Chapter Four

Public Resources for Children in Bihar: A Study of Budgets

This chapter presents a detailed review of the resources earmarked for children in the Bihar state budget for the years 2004-05 to 2007-08. The total of these earmarked resources constitutes the 'child budget' of Bihar. As outlined in Chapter One, our concern here is with the outlays/expenditure that imply a direct benefit for children. Any incidental benefits are already captured in the analysis of social sector expenditure in Bihar (Chapter Three). Thus, only child-specific outlays or expenditure constitute the domain of our analysis.

Apart from estimating the aggregate outlay for children in the state budget, we analyze the prioritization of allocations to child education, child health, child protection and early childhood development – the four implicit sectors that make up the development continuum for children.

This chapter aims:

- To capture the total magnitude of Bihar State Budget outlays earmarked for children from 2004-05 to 2007-08;
- To assess the prioritisation of the total quantum of Bihar State Budget outlays earmarked for children from 2004-05 to 2007-08;
- To assess the quality of expenditure of budget outlays for child specific schemes in Bihar;
- To assess the magnitude and composition of Union Budget outlays for child-specific Centrally Sponsored Schemes, which were transferred directly to Autonomous Societies (bypassing the Bihar State Budget) from 2004-05 to 2006-07;
- To assess Bihar's dependence on Centrally Sponsored Schemes for undertaking

targeted interventions for children.

4.1 Share of Departments in Child Specific Outlays in the Bihar State Budgets

In 2007-08, the Bihar Budget consisted of 54 Demands for Grants. Out of these, 12 Demands were either merged with other Demands or allotted a new Demand Number in 2007-08 as some departments of the state government were restructured to reduce the total number of government departments from 47 to 44. This was a part of the rationalization exercise under the aegis of administrative reforms being pursued by the state government. Out of the 54 Demands for Grants in the Bihar Budget, 9 had either entire schemes or specific items of expenditure, with child-specific outlays. Table 4A lists these Demands for Grants.

Table 4A: Demand for Grants from Bihar Budget with Child

Specific Items

Number	Demand for Grant
3	Building Construction Department
15	Finance Department
20	Health and Family Welfare Department
22	Home Department
26	Labour, Employment and Training Department
36	Public Health Engineering Department
44	Primary, Secondary and Adult Education Department
51	Welfare Department
52	Youth, Art and Culture Department

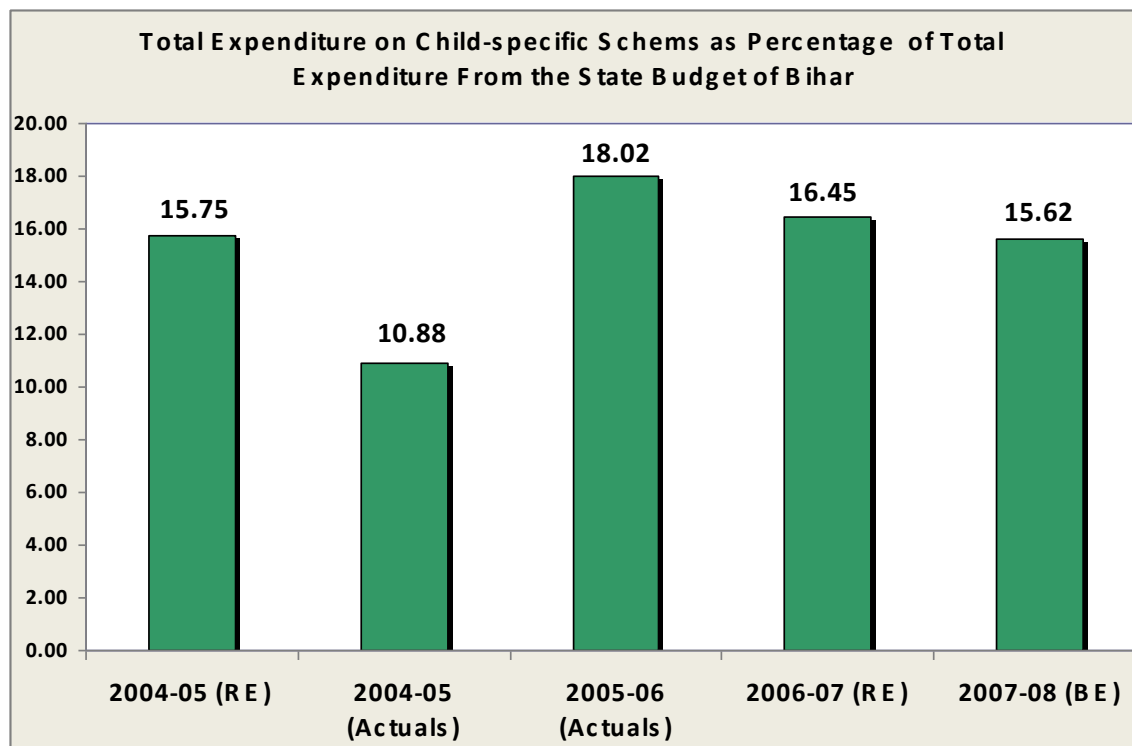
Source: Demand for Grants, Government of Bihar, 2007-08

We note from Table 4A that the major departments contributing to the child budget are those that are considered to render social services like education, health and welfare in budget classification. However, some components of the child budget also originate in departments associated with general services (e.g. home) and economic services (e.g. building construction).

4.2 Child Budget

As explained in Chapter One, for the purpose of our study, the total of the budget outlay for child specific items of expenditure in a specific financial year is defined as the child budget for Bihar for that year. Figure 4.1 shows the total magnitude of child budget for Bihar as a proportion of the total state budget. This is a way to measure the overall priority accorded to children in the Bihar budget in the period from 2004-05 to 2007-08. We find that the child budget has hovered around or under 16 percent of the total Bihar budget in the last two years under consideration. In 2005-06, it reached 18 percent based on Actual figures. We also note that there is a difference of around 5 percent between actual (10.88 %) and R.E. (15.75 %) figures for 2004-05. The reasons for this divergence have been explained in Annexure for Chapter One. Based on those observations, henceforth, for all results covering the four-year period under consideration, we shall present five sets of figures: 2004-05 (R.E.), 2004-05 (Actuals), 2005-06 (Actuals), 2006-07 (R.E.) and 2007-08 (B.E.).

Figure 4.1: Total Expenditure on Child-specific Schemes as %age of Total Expenditure from Bihar State Budget



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.1 in Annexure

The aggregate size of the child budget in Bihar declined from Rs 524701.8 lakhs in 2006-07 (R.E.) to Rs 519579.22 lakhs in 2007-08 (B.E.) (Annexure Table 4.1). This translates into a 1 percent cut in the child budget in the same period when the total size of the Bihar budget increased by 4.3 percent. Thus prioritization of children in the Bihar budget has declined in a period of overall rise in budgeted expenditure of the state.

From Table 4B below, we find that per child annual expenditure from the Bihar Budget increased from Rs 903 in 2004-05 and 2005-06 to Rs 1146 in 2006-07 and then saw a decline to Rs 1116 in 2007-08. This translated in to a 2.6 percent decline. Thus, in per capita terms, we notice a sharper reversal in prioritisation of spending on children in the 2007-08 state budget due to a decrease in overall allocation and an increase in number of children.

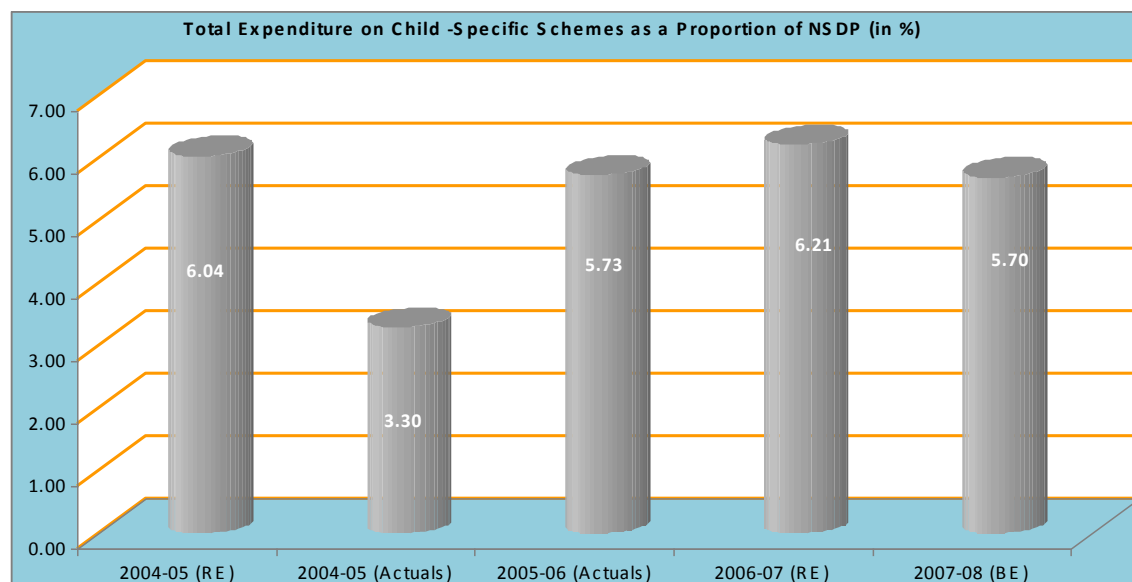
Sectors / Year	2004-05 (RE)	2004-05 (Actuals)	2005-06 (Actuals)	2006-07 (RE)	2007-08 (BE)
Child Education (Rs)	823.64	473.80	813.44	1004.59	994.67
Child Health (Rs)	6.78	1.16	0.33	6.02	4.51
Child Protection (Rs)	0.06	0.04	0.00	0.05	1.68
Early Childhood Development (Rs)	73.04	18.32	89.80	135.53	115.56
Per Capita Expenditure on Children (Rs)	903.52	493.33	903.57	1146.18	1116.43

Table 4B: Per Capita Annual Expenditure on Children from the Bihar State Budget

Source: Calculations Based on Data from Detailed Demand for Grants, Government of Bihar, Various Years

The total size of the outlays on child specific schemes in the Bihar budget when considered as a proportion of NSDP has fluctuated mildly between 6.04 percent and 5.70 percent (Figure 4.2), if we ignore the value of 3.3 percent for 2004-05 (Actuals), which is an outlier in our data-set as explained in Chapter One. We note from Figure 4.2 that the magnitude of the child budget in comparison to the NSDP of Bihar has remained fairly constant in the period under study, but shows a decline of 0.5 percent between 2006-07 and 2007-08. .

Figure 4.2: Total Expenditure on Child-Specific Schemes as a Proportion of NSDP (in %)



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.2 in Annexure

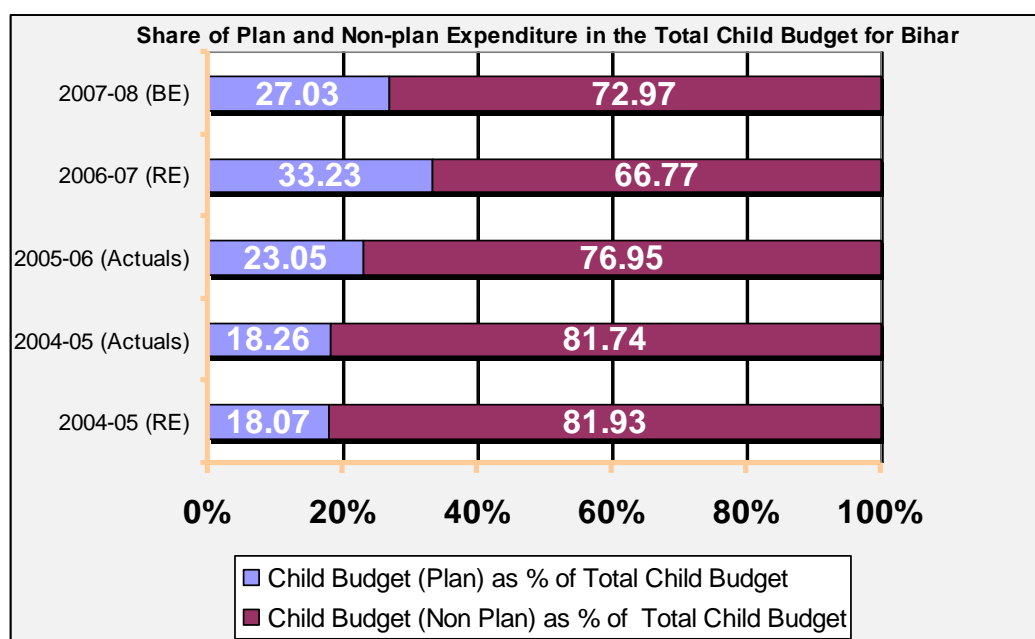
4.3 Plan and Non-plan Composition of the Child budget

It is important to study the structure of the child budget in terms of plan and non-plan expenditure. non-plan expenditure entails the routine running of government operations and establishments, and thus provides an insight into the institutionalised priorities of government expenditure. Expenditure under the plan head denotes all outlays deriving from planned areas of intervention by the government. Thus, both plan and non-plan expenditure are important for the well-being of children, as the former provides the scope for undertaking new interventions for children while the latter indicates the priority extended to children in the routine institutionalised activities of the state. But plan expenditure is considered to be of more importance because of its association with new initiatives or strengthening of existing schemes through new components to deliver targeted development. This emphasis on 'targeting' has gained credence in recent years in policy making circles. From Figure 4.3, we find that non-plan

expenditure accounted for the bulk of the total child budget for Bihar. From a share of 82 percent in 2004-05, it declined to 67 percent in 2006-07. However, it rose again to 73 percent in 2007-08. The increase in the share of plan expenditure since 2004-05 was due to the increase in allocation for Sarva Shiksha Abhiyan (SSA), and Integrated Child Development Scheme (ICDS) and universalisation of the Mid Day Meal Scheme (MDMS). Although the share of non-plan expenditure in the over-all child budget declined from 81.93 percent to 72.97 percent between 2004-05 and 2007-08, there has been a relative increase in the share of non-plan expenditure in 2007-08 compared to 2006-07 (Figure 4.4).

Figure 4.3: Share of Plan and Non-plan Expenditure in the Total Child Budget

Budget for Bihar



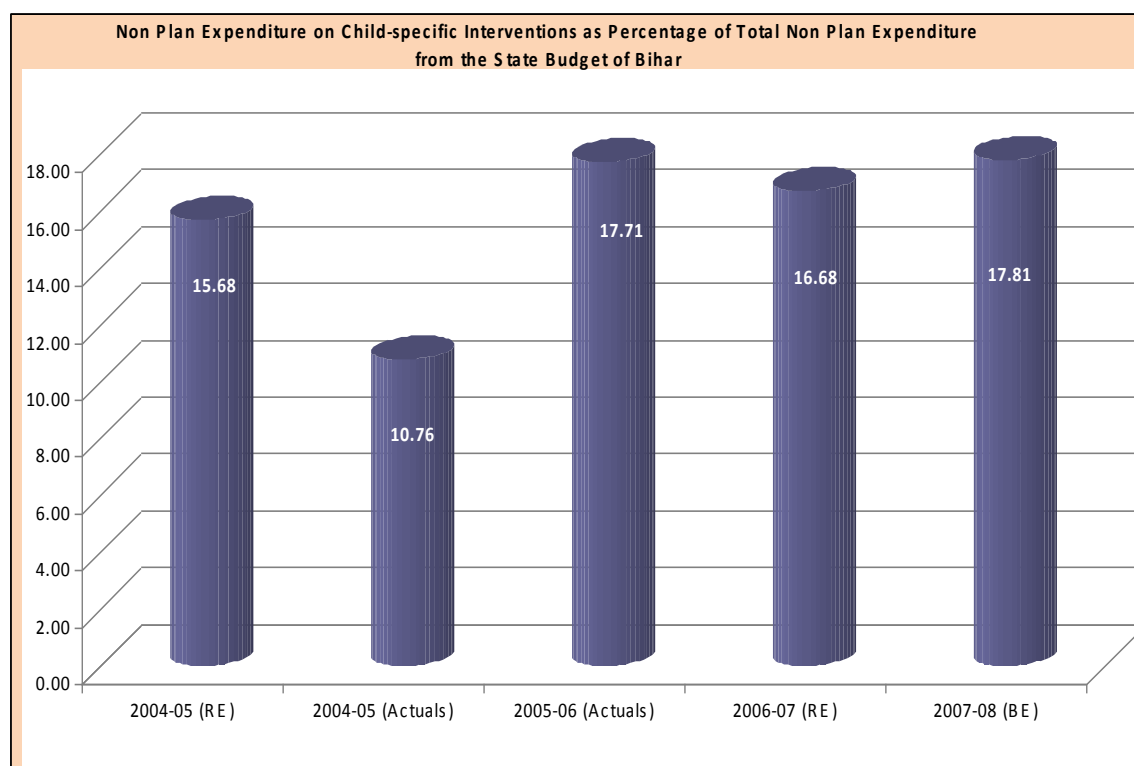
Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.3 in Annexure

From Figure 4.4, we further note that the share of expenditure on child-specific interventions within total non-plan expenditure from the Bihar Budget increased from 15.68 percent in 2004-05 (R.E.) to 17.81 percent in 2007-08 (BE). Between 2007-08 and 2006-07, the non-plan

component of the allocations for child specific schemes increased from Rs 34034 crore to Rs 3791 crore, an increase of 8.2 percent. In the same period, the overall non-plan component of the Bihar budget increased by just 1.4 percent. This relative increase in the non-plan component of child specific allocations is largely explained by the rise in the overall salary-bill of the state government due to bulk recruitment of 100,000 teachers in 2006-07. The outlay towards wages and salaries for these new teachers were included in the Bihar Budget only from 2007-08. The non-plan outlays for schemes that can be classified under child health and child protection are marginal in their importance. There has been a drastic decline in non-plan outlays for schemes intended for early childhood development (Annexure Table 4.4) since 2006-07.

Figure 4.4: Non-Plan Expenditure on Child –specific Interventions as %age of Total Non Plan Expenditure form Bihar State Budget



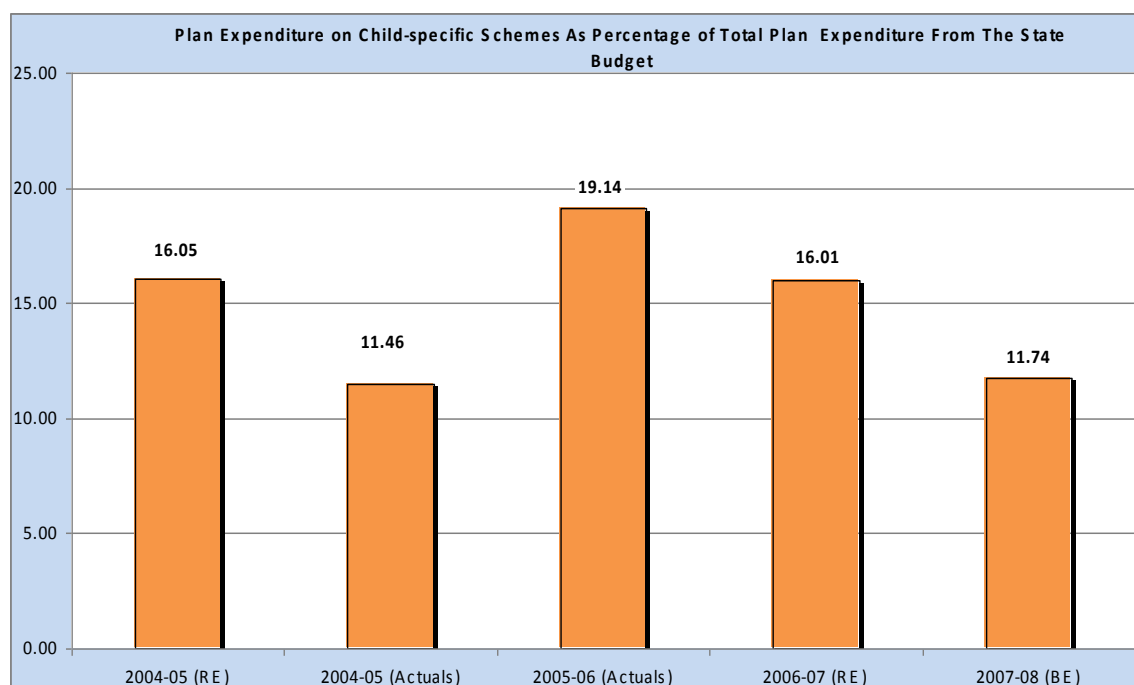
Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.4 in Annexure

Figure 4.5, provides an idea of the priorities accorded child-specific schemes within total plan expenditure in the Bihar Budget. Our review of the situation of children in Bihar in Chapter Two provides a very strong case for planned intervention by the government. However, from Figure 4.5, it is clear that plan expenditure on children as proportion of total plan expenditure has declined after an initial rise from 16 percent in 2004-05 to 19 percent in 2005-06. It fell to 16 percent in 2006-07 and reached a drastic low of 12 percent in 2007-08. This fall was mitigated by the increased share of Central funds in 2007-08 (See Section 4.6) as the share of the state in plan expenditure earmarked for children fell from Rs 1231.1 crore in 2006-07 (RE) to Rs 655.4 crore in 2007-08 (BE) – a fall close to 47 percent in a single year. The major cuts were in the area of nutrition schemes and water supply projects.

Figure 4.5: Plan Expenditure on Child specific schemes as %age of Total Plan

Expenditure from the State Budget



Source: Detailed Demand for Grants, Government of Bihar, Various Years

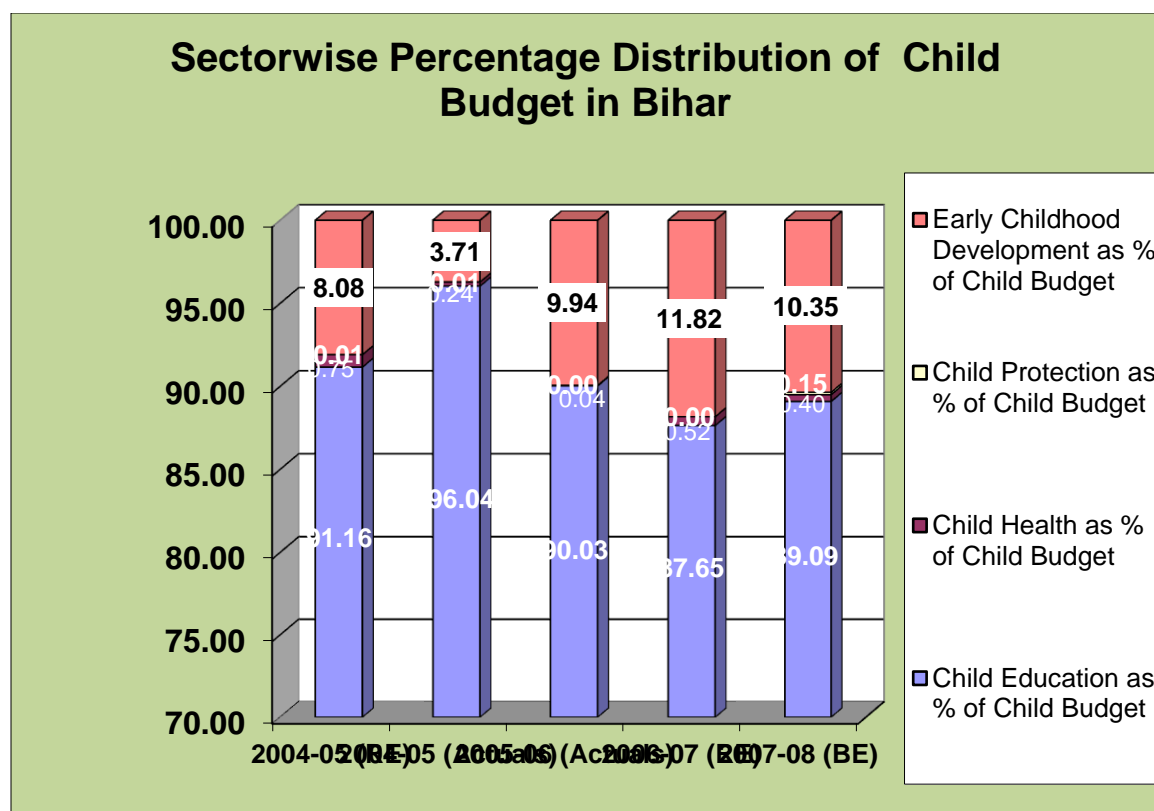
See Table 4.5 in Annexure

There was a 19 percent decline in plan outlays for child-specific schemes between 2006-07 and 2007-08. In the same period, the overall plan expenditure of the government increased by almost 10 percent. The same period saw the overall increase of non-plan expenditure by only 1.4 percent. So, in the recent period, the government has concentrated on increase in planned interventions. However, this prioritisation of planned intervention has come at the cost of cut in plan expenditure for child specific schemes aimed at education, health and early childhood development. The only exception is the plan outlay for schemes aimed at child protection in which the outlay has increased from Rs 23 lakhs to Rs 269 lakhs between 2006-07 and 2007-08. But this accounts for just 0.2 percent of the outlays for child specific schemes and thus is negligible. It can safely be asserted that the planning process of the government has not only accorded low priority to children, it has actually displayed a dangerous policy reversal of downgrading the priority of child specific schemes in the plan component of the budget.

4.4 Sectoral Distribution of Child Specific Schemes

Next, we examine the total outlay for child specific schemes in Bihar from a rights-based approach for children. Based on the framework endorsed by child rights groups, we define child education, child health, child protection and early childhood development as the four cornerstones of child rights. In figure 4.6, we have traced the relative priorities accorded by the Bihar government to these four sectors in allocating the outlays for child specific schemes.

Figure 4.6: Sectorwise Percentage Distribution of Child Budget in Bihar



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.6 in Annexure

The outlays for child education in the Bihar Budget has accounted for 89-91 percent of the total child budget for Bihar. The three other sectors together account for around 10 percent of the child budget (Figure 4.6). Expenditure on child education as a proportion of NSDP has also remained constant at around 5 percent between 2004-05 and 2007-08 (Table 4C).

Table 4C: Sectoral distribution of Child Budget as a Proportion of NSDP

Sector / Year	2004-05 (RE)	2004-05 (Actuals)	2005-06 (Actuals)	2006-07 (RE)	2007-08 (BE)
NSDP (In Rs. Lakhs)	6620152.00	6620152.00	7100609.00	8442603.00	9122856.09
Exp. on Child Education as % of	5.50	3.17	5.16	5.45	5.08

NSDP					
Exp. on Child Health as % of NSDP	0.05	0.01	0.00	0.03	0.02
Exp. on Child Protection as % of NSDP	0.00	0.00	0.00	0.00	0.00
Exp. on Early Childhood Care & Dev.. as % of NSDP	0.49	0.12	0.57	0.73	0.59
Total Exp. on Child-specific Schemes as a Proportion of NSDP (in %)	6.04	3.30	5.73	6.21	5.70

Source: Calculations Based on Data from Detailed Demand for Grants, Government of Bihar, Various Years

The next major chunk of outlays are towards early childhood development, which are much smaller in magnitude compared to the allocations for child education, but nevertheless accounted for 8-12 percent of the child budget between 2004-05 and 2007-08 (Figure 4.6). The share of outlays for early childhood development as percentage of NSDP ranged between 0.5 percent and 0.7 percent in the same period (Table 4C). The *Integrated Child Development Services (ICDS)*, accounts for the entire allocations in the Bihar Budget for early childhood development. Fluctuations in the outlays for the Supplementary Nutritional Project (SNP) component of ICDS largely explain the year-to-year fluctuations in allocation for this sector.

Outlays for child protection are miniscule as a proportion of the overall child budget. The outlay was insignificant as a percentage of the overall child budget. In the first three years under consideration, it increased from 0.01 percent to 0.05 percent between 2004-05 and 2007-08 (Figure 4.6). The allocations in this account came to a total of Rs 284.15 lakhs and were insignificant as a proportion of NSDP (Table 4C). This expenditure was mostly spread over three heads: maintaining homes for homeless children, administration of the Juvenile Justice

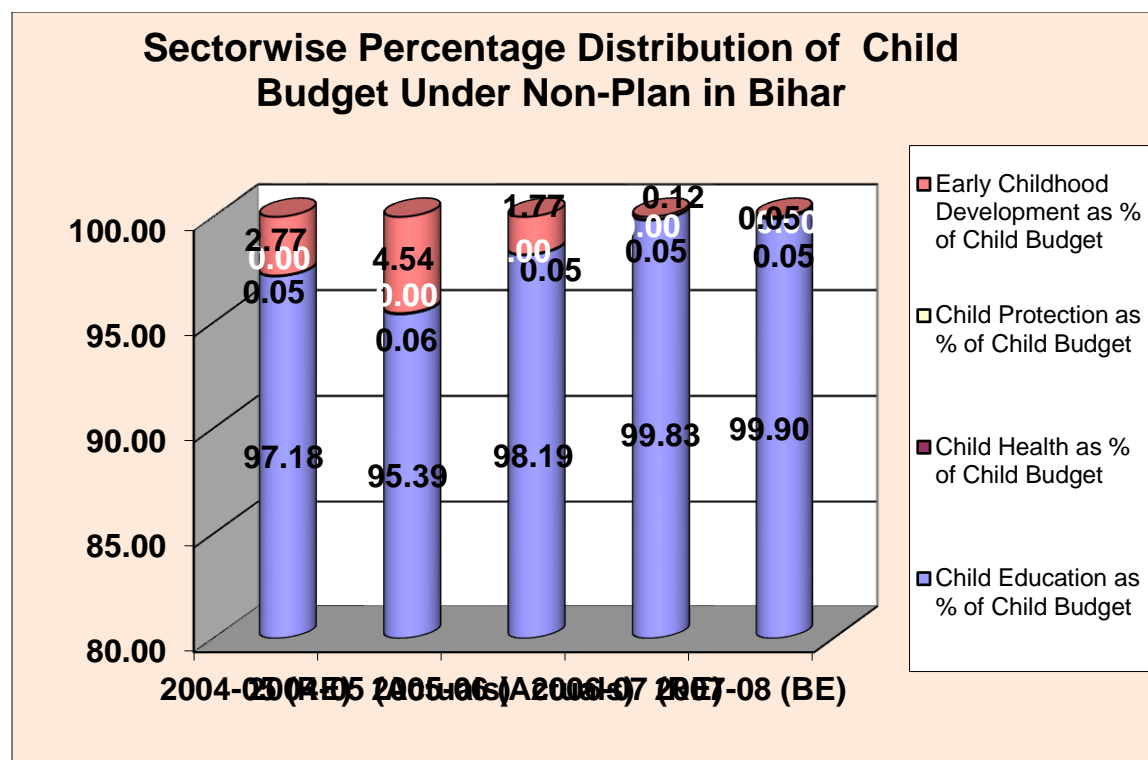
Commission and the child welfare board and maintenance of the Bihar Child Labour Commission. Thus there were no allocations for any major schemes for protection of children exposed to different kinds of risks, danger and vulnerability.

Outlays for child health also constitute a low priority sector. The outlay for Child Health has declined from 0.75 percent in 2004-05 (RE) to 0.4 percent of the child budget in 2007-08 (BE) (Figure 4.6). This is observed as a corresponding decline from 0.05 percent of NSDP to 0.02 percent in the same period (Table 4C). The state has been making just two kinds of allocations for the child health sector – non plan outlays for paying wages for employees working in maternal and child health unit of the family welfare department and plan outlays for water-supply projects for schools.

The predominance of resources allocated to education within the child budget of Bihar demonstrates that the state has prioritised education in the period of our study. But, there is no reason to think that the allocation for education is adequate. There are also questions about the quality of expenditure that we address later in the chapter.

The low priority accorded to protection, health and early development compared to education should not be used as an excuse to shift funds from education to other categories. The structure of the child budget makes a case for increasing allocation in other sectors, but not at the cost of undermining education.

Figure 4.7: Sectorwise %age Distribution of Child Budget under Non-Plan in Bihar



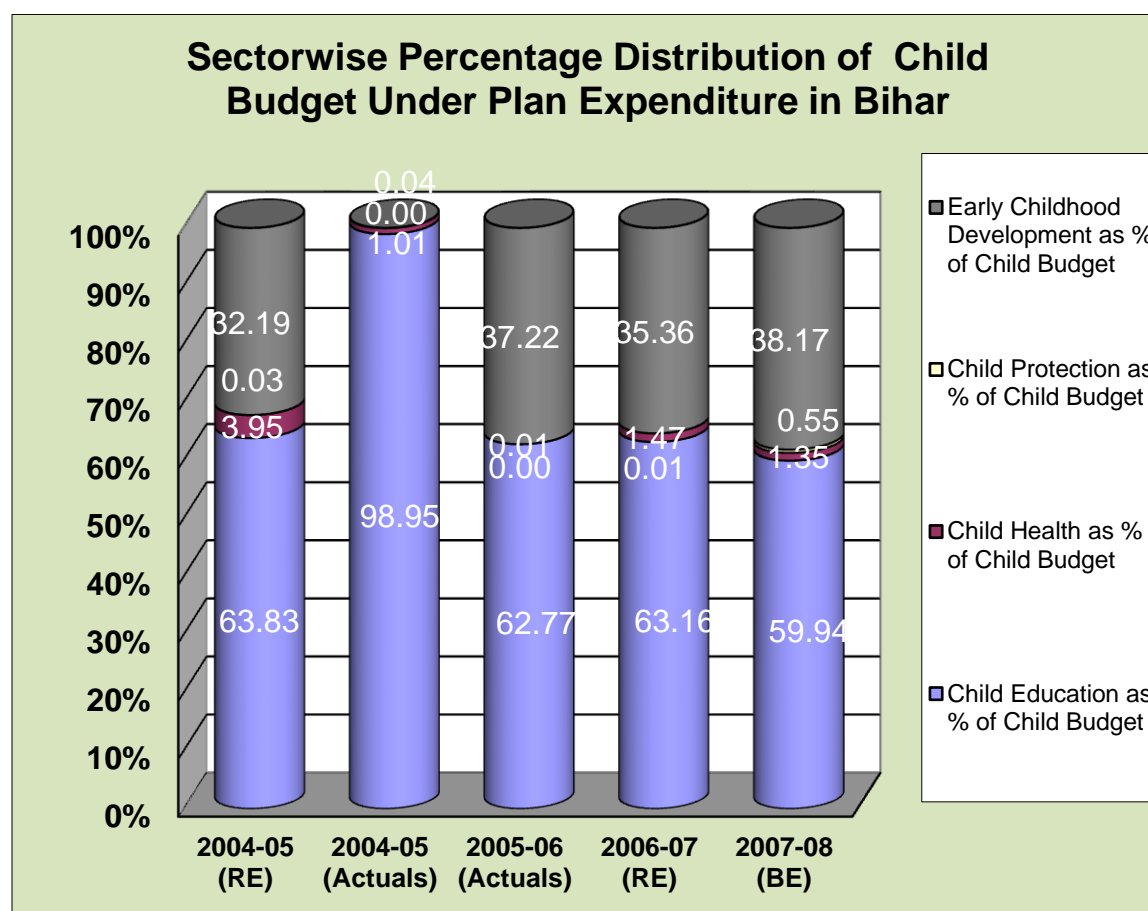
Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.7 in Annexure

Outlays under the non-plan component of the child budget has been consistently high for the period of our study (see Figure 4.3 above), though it has declined from 82 percent in 2004-05 to 73 percent in 2007-08. From Figure 4.7, we note that within the non-plan component of the child budget, the share of child education has ranged between 97.2 percent in 2004-05 to 99.9 percent in 2007-08. The share of the other three sectors together accounted for 2.8 percent in 2004-05 and since then declined to 0.1 percent in 2007-08. Since non-plan expenditure is mainly incurred on maintaining established institutions of the state, we can see that apart from educational institutions, the Bihar government has very underdeveloped institutional structures

for health, protection and early development of children. The general institutions of the public health delivery system are equally important for child health and development. The creation and strengthening of these institutional structures are therefore vital for the overall development process of children in Bihar.

Figure 4.8: Sectorwise %age Distribution of Child Budget under Plan Expenditure



Source: Detailed Demand for Grants, Government of Bihar, Various Years

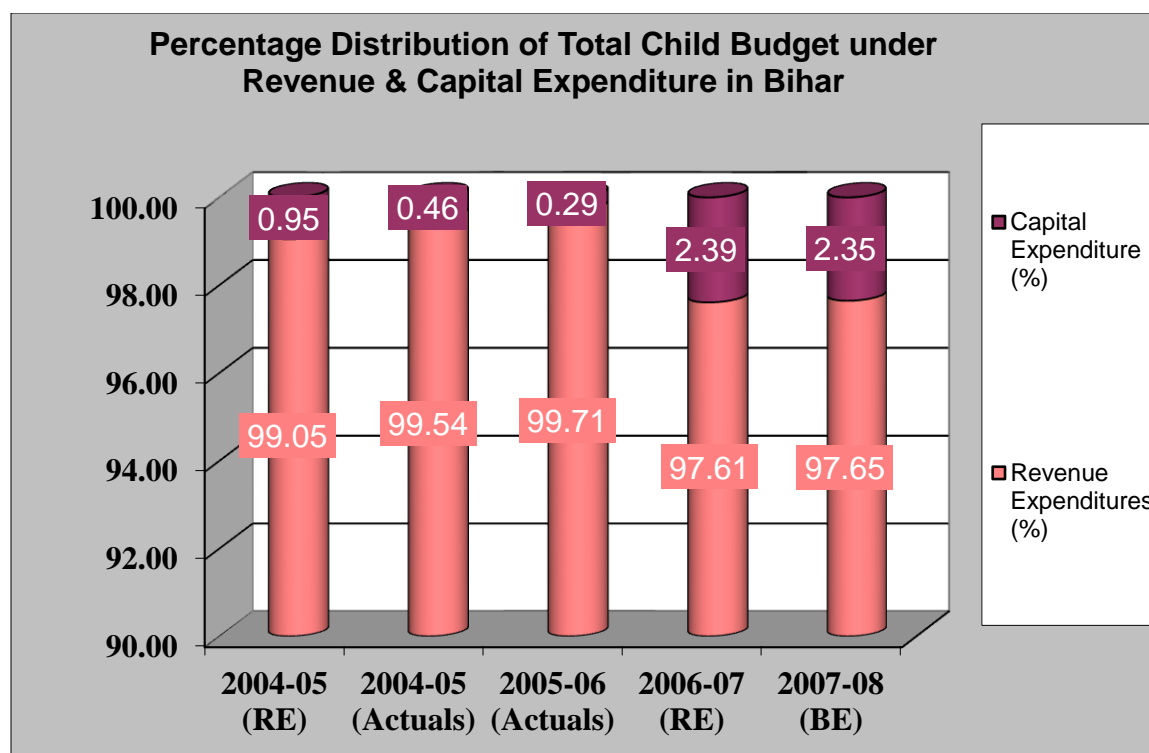
See Table 4.8 in Annexure

From figure 4.8, we note that the sectoral composition of the plan component of the child budget shows that child education has the highest share. In 2004-05, the share of child education was 63.8 percent. In 2007-08, it was 60.3 percent. The next important sector in terms of plan allocation is early childhood development. The share of early childhood development increased from 32.2 percent in 2004-05 to 38.2 percent in 2007-08. This can be mainly attributed to the move towards universalisation of the ICDS in Bihar in this period. Thus the bulk of the funds in this sector come from the central government. Plan funds allocated to child protection stood at just 0.03 percent of the plan component of the child budget in 2004-05. This rose marginally to 0.19 percent in 2007-08. This reveals the indifference of the state government to the needs of children in difficult circumstances in Bihar. The small share of outlays for child health in the plan component of the child budget has declined from 3.95 percent in 2004-05 to 1.35 percent in 2007-08.

4.5 Quality of Expenditure in the Child Budget of Bihar

a. Revenue and Capital Expenditure

Figure 4.9: %age Distribution of Total Child Budget under Revenue & Capital Expenditure in Bihar



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.9 in Annexure

From Figure 4.8, we find that the share of capital expenditure has been very low in the child budget of Bihar, but has increased from 0.29 percent in 2005-06 to 2.39 percent in 2006-07 and 2.35 percent in 2007-08. The entire share of capital expenditure comes from the planned components of the child budget.

Table 4D: Percentage Distribution of Capital and Revenue Expenditure under Plan Expenditure of Child Specific Scheme of Bihar.

Sector / Year	2004-05 (RE)	2004-05 (Actuals)	2005-06 (Actuals)	2006-07 (RE)	2007-08 (BE)
Revenue Expenditure (In Rs. Lakhs)	68387.80	38828.55	92548.22	161797.59	128242.96
Capital Expenditure (In Rs. Lakhs)	3806.35	1007.94	1193.18	12539.71	12220.50
Plan Child Budget (In Rs. Lakhs)	72194.15	39836.49	93741.41	174337.30	140463.46
Revenue Expenditure (%)	94.73	97.47	98.73	92.81	91.30
Capital Expenditure (%)	5.27	2.53	1.27	7.19	8.70

Source: Calculations Based on Data from Detailed Demand for Grants, Government of Bihar, Various Years

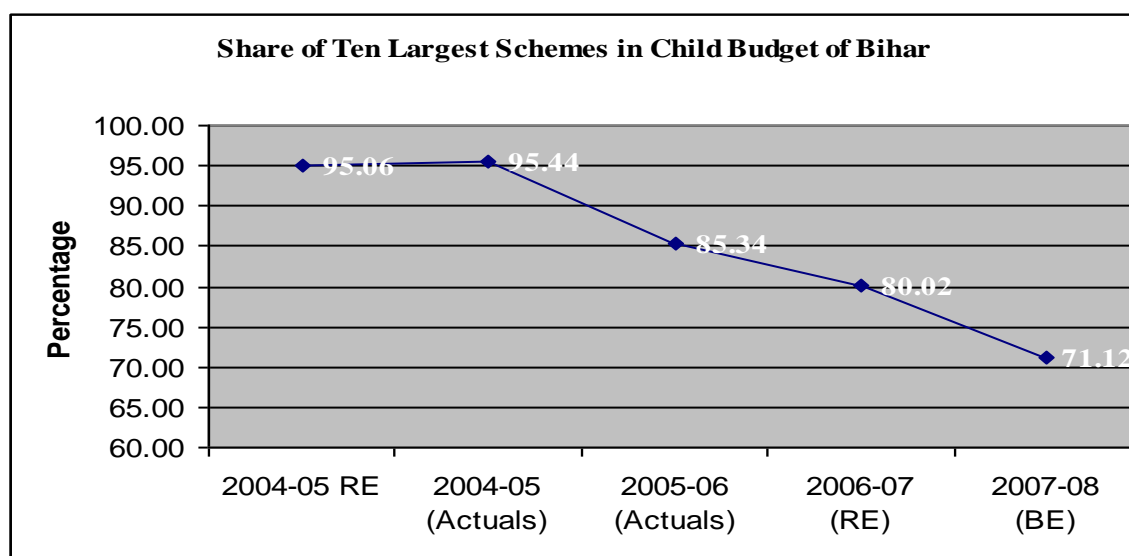
From Table 4D, we note that the share of capital expenditure in planned expenditure for child specific schemes after a decline between 2004-05 and 2005-06, increased to 7.19 percent in 2006-07 and to 8.7 percent in 2007-08. This increase was mainly on two accounts: construction of residential schools, hostel buildings and other construction related to education, and, state share of allocation for water supply and sanitation schemes in schools under different central schemes like Pradhan Mantri Gramodaya Yojana (PMGY) and Total Sanitation Campaign (TSC). There has been no capital expenditure in the sectors of child health, child protection and early childhood development. We need to qualify this observation based on three issues. First, only those expenditures that lead to creation of new assets are entered as capital expenditure in the state budget documents whose ownership lies with the state government. In Bihar, since 95 percent schools are owned by the state, records of capital expenditure are mainly devoted to creation of assets for education, even if these are low. However, for recent interventions in health, early childhood development, and child protection, ownership issues may be important

as there are several stakeholders. Second, construction of PHCs/APHCs constitute a large chunk of capital expenditure on health, but are not necessarily reflected as part of the child budget even if the construction cost is borne by the government as the benefits are not specific to children. Third, in recent years, a lot of capital expenditure is being made under the Centrally Sponsored Schemes that bypass the state budget. Hence, the low capital expenditure may be an underestimate. However, it does reflect the low priority accorded to capital expenditure in the state's own budget geared towards fulfilling the specific needs of children.

b. Proportion of Wage and Non-Wage Expenditure

Another measure of the quality of expenditure is the proportion of non-wage expenditure in the total allocation for a specific project or scheme. For most child specific schemes, the role of trained personnel (e.g., teachers, health professionals) is central to proper implementation. Thus proper wages and monetary compensation for workers are a prerequisite to the success of the schemes. However, unless investments in proper infrastructure, material resources, training, monitoring and evaluation are made, the mere presence of personnel does not ensure the ability to utilize funds effectively leading to desired outcomes. Thus, patterns of non-wage expenditure offer an insight into the effectiveness of the child specific interventions in the budget. We have studied the patterns of non-wage expenditure in the top 10 projects or schemes (minor heads or sub-minor heads wherever appropriate) in the child budget. These items together constituted the bulk of the child budget in Bihar. Together, they accounted for 95 percent of the child budget of Bihar in 2004-05, but the share had gradually declined to 71 percent in 2007-08 (Figure 4.10). Thus, we note a diversification of the child budget away from these dominant schemes in 2006-07 and 2007-08. However, these schemes still remain the largest in terms of absolute allocation.

Figure 4.10: Share of Ten Largest Schemes in Child Budget of Bihar



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.10 in Annexure

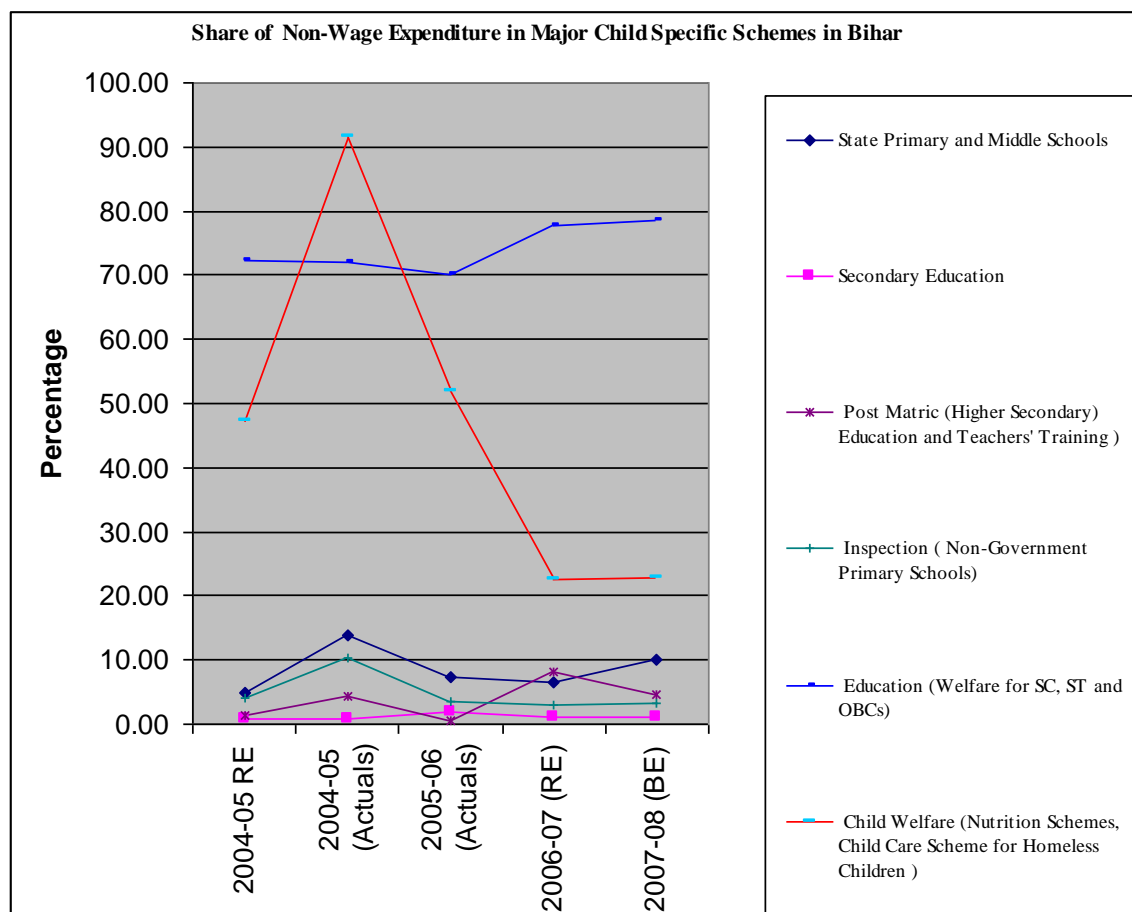
The top ten projects or schemes in the child Budget of Bihar have been identified to be the following: State Primary and Middle Schools, Secondary Education, Sanskrit Education, Other

Expenditure (SSA, MDMS etc), Higher Secondary Education and Teacher's Training, Grant for non-State Primary Schools, Inspection of Schools (Non-state), Educational Schemes for SC/ST/OBCs, Child Welfare Programmes (Nutrition Schemes, Child Care Scheme for homeless children), and Other Language Education (Madarasa Education).

Out of these ten major project heads or schemes, a rigorous analysis of shares of wage and non-wage expenditure is not possible for the following: Sanskrit Education, Other Expenditure (SSA, MDMS etc), Grant for non-State Primary Schools and Other Language Education (Madarasa Education). This is mainly due to the fact that outlays for these heads are aggregated upto the minor head or sub-minor head in Bihar Budget documents. Since there is no information at the level of detailed head, classification of wage/non-wage expenditure is not possible. So, the observations of wage/non-wage expenditure are based on six project heads: state primary and middle schools, secondary education, Post Matric (Higher Secondary) Education and Teachers' Training, Inspection (Non-Government Primary Schools), Educational Schemes for SC/ST/OBCS and Child Welfare Schemes (Nutrition and Child Care).

In figure 4.11, we have plotted the trend of share of non-wage expenditure for the six major projects/schemes mentioned above. Out of these, for the four largest schemes – State Primary and Middle Schools, Secondary Education, Post Matric (Higher Secondary Education) and Teachers' Training Colleges and Inspection (Non-Government Primary Schools), the share of non-wage expenditure has been consistently less than 10 percent over the period of our study. In the case of Secondary Education, non-wage expenditure has remained constant at around 1 percent. The abysmally low figures are quite indicative of the quality of expenditure at all tiers of the education system that affect children – primary, secondary and higher secondary. If 95 to 99 percent of budgetary allocations in these sectors are just directed towards covering wage expenditure. Given such a pattern of expenditure, no quantitative expansion or qualitative improvement can be expected to be achieved. Thus it is absolutely vital for the state government to increase its non-wage outlays to enhance the quality and quantity of the resource base of education in the state.

Figure 4.11: Share of Non-Wage Expenditure in Child Specific Schemes in Bihar



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.10 in Annexure

Next, we consider the Child Welfare Schemes (Nutrition and Child Care). From a non-wage expenditure share of 50 percent for 2004-05 (RE), we find a steep rise to 90 percent for 2004-05 (Actuals) (Figure 4.11). This was mainly due to the non-release of a variety of budgeted salaries and allowances in 2004-05. It does not imply an increase in non-wage expenditure. In fact there was a decline in non-wage expenditure as well if we compare RE and actual figures for 2004-05. Overall, the share of non-wage expenditure in Child Welfare Schemes for nutrition and child care has declined from 50 percent in 2004-05 (RE) to around 23 percent in 2006-07 and 2007-

08. This is because absolute outlays for non-wage expenditure have declined in these schemes in the last two years, while wage expenditure has increased substantially. Once again, delivery of both nutrition and child care require wide-ranging quality infrastructure. Thus decline in such expenditure seriously undermines the purpose and implementation of such schemes.

At the other extreme, we have the example of the Educational Schemes for SC/ST/OBCS in which the share of non-wage expenditure has been quite high – between 72 and 78 percent in the period of our study. A large part of these allocations consist of various kinds of scholarships and grants for education and construction, repair and maintenance of hostels. The administration cost of running these schemes are low as these are part of the routine duties of government employees in the Welfare Department. So high non-wage expenditure is not a result of any special effort, but, reflects the inherent nature of the scheme.

Thus the analysis of share of wage/non-wage expenditures for major schemes in the Bihar budget reveals a very low share of non-wage expenditure for all the leading schemes. This situation calls for increased allocations for investment to enrich the physical resource base of the child specific schemes in Bihar especially in education, where bulk of the funds are concentrated.

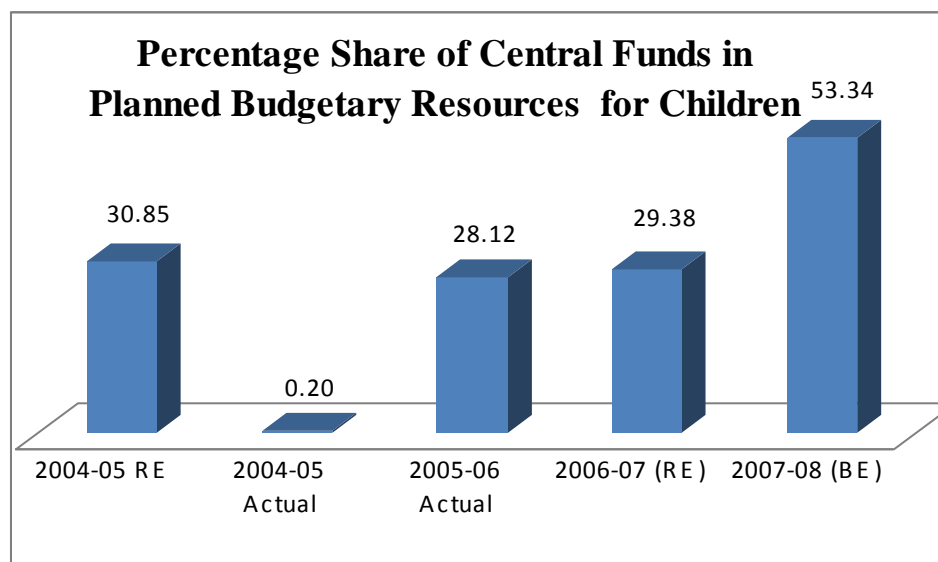
4.6 Share of Central Funds for Plan Expenditure on Children in State Budget of Bihar

Figure 4.12 presents the total of central shares for centrally sponsored schemes and the allocations for central plan schemes that pass through the state budget of Bihar and are earmarked for children as a proportion of the total size of the child budget in Bihar. It must be noted that in recent years, increasing amounts of central funds have been bypassing the state government budget. Some of these funds are also earmarked for children and we present an estimate of this portion of funds in the next section.

We note from Figure 4.12 that share of central funds had hovered around 30 percent of the total plan expenditure for children in the Bihar budget between 2004-05 and 2006-07. However, this share has increased to 53 percent in 2007-08 (BE). This is mainly attributable to a 16 percent increase in the outlay from central funds for ICDS in Bihar in 2007-08 combined with a 47 percent decrease in the state's share of plan expenditure for children in 2007-08 (See Section 4.3 above).

Figure 4.12: %age Share of Central Funds in Planned Budgetary

Resources for Children



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.11 in Annexure

In this regard, we observe that the entire central share of outlays for the central plan schemes passing through the state budget is accounted for by education. The centrally sponsored schemes are distributed between two sectors: child education and early childhood development. There are no allocations for child health and child protection.

4.7 Central Funds for Children bypassing the Bihar Budget

An increasing trend for almost a decade now is reorganization of plan fund devolution from the central government. Increasing shares of central government funds are routed directly to the programme implementing agencies at the state or district level, bypassing the Consolidated Fund of Bihar. According to the Bihar Economic Survey for 2007-08, such funds accounted for 11 percent of the expenditure budget of the state in 2006-07. A lot of these schemes are targeted towards children.

The central government has justified the fund flow mechanism bypassing the state budget on grounds of reducing delays in fund transfer procedures and ensuring no impediments in implementation of schemes in situations where state governments face crisis of liquidity. However, this has created ambiguity on questions of accountability, as the implementing society is not financially accountable to the state government, while the state government is considered to be responsible for proper implementation. Some observers have argued that this has created a situation of responsibility without power, which is considered a bottleneck in proper monitoring and implementation. Moreover, this has also opened up debates around the shrinking nature of fiscal federalism and the duplication of authority based on the belief that 'autonomous' implementing agencies by default would be more 'efficient'.

Table 4E: Central Government Funds for Bihar under Major Child-specific Schemes which were Directly Transferred to Autonomous Programme Implementing Societies in the State (Rs. Crore)

Scheme	2004-05	2005-06	2006-07	2007-08
Sarva Shiksha Abhiyan	320.38	330.86	1098.57	807.24
District Primary Education Project	75.33	60.00	-	-
Mid Day Meal Scheme	132.86	197.19	364.64	283.18

National Child Labour Project	2.82	4.34	8.64	-
Total Sanitation Campaign**	0.12	6.08	0.83	7.74
Universal Immunization Programme	-	46.00	39.97	38.36
Reproductive and Child Health Programme	38.95	43.92	207.55*	0.00*
Total	570.46	688.39	1720.19	1136.53

Source: Lok Sabha Unstarred Question No 1570 dated 03.08.2005; Rajya Sabha Unstarred Question No 1138 dated 1.12.2006; Finance Accounts of Bihar State Health Society, Bihar Education Project, Directorate of Mid-Day Meal Scheme, Government of Bihar.

*The figure for RCH programme for 2006-07 reflects the funds received from Government of India under this head by the implementing authority. Out of these, Rs 21.9 crore was actually utilized in 2006-07. Thus there was an opening balance of Rs 185.6 crore for 2007-08. So there were no further transfers from the Centre for 2007-08.

** The figures for TSC account for 10 percent of total funds released for TSC. This share is released through the Bihar Education Project for child specific expenditure. The rest of the TSC funds are not child specific and hence have not been included.

Table 4E presents an overview of funds released by the central government to the implementing societies in Bihar responsible for operating the child specific schemes. The District Primary Education Project was terminated in 2005-06. It is clear that central funds for children in Bihar have been stepped up by significant amounts since 2004-05. In 2006-07, the allocations reached a one-time high of Rs 1720 crore, after which, there was some downward revision in 2007-08. Since data for NCLP was not available for 2007-08, the total figure for 2007-08 in the table is a slight underestimate. But the contribution of NCLP to overall child-specific spending is so minor that it will not make any substantial difference to the overall analysis and interpretations. The bulk of these central transfers are accounted for by the Sarva Shiksha Abhiyan and Mid Day Meal Scheme. The outlay for Reproductive and Child Health Programme was also stepped up significantly in 2006-07 to Rs 207.55 crore, but only 11 percent of these funds were utilized in 2006-07. Hence there was an opening balance of Rs 185 crore for 2007-08 for this scheme and no further transfer from the center in this year.

Table 4F: Total Public Resources for Child Specific Schemes in Bihar (Rs. in Lakhs)

Sectors / Year	2004-05	2005-06	2006-07	2007-08
Non Plan Component of Child Budget	327432.78	312943.72	350364.50	379115.76
State Plan Component of Child Budget	49922.04	67380.31	123112.50	65540.70
Share of Centrally Sponsored Schemes and Central Plan Passing through Bihar Budget in Child Budget	22272.11	26361.10	51224.80	74922.76
Child Specific Funds for Centrally Sponsored Schemes Bypassing the Bihar Budget	57045.68	68838.84	172018.72	113652.60
Total Child Budget	456672.61	475523.96	696720.52	633231.82
Child Specific Central Funds Bypassing the Bihar Budget as a Percentage of Total Child Budget	12.49	14.48	24.69	17.95

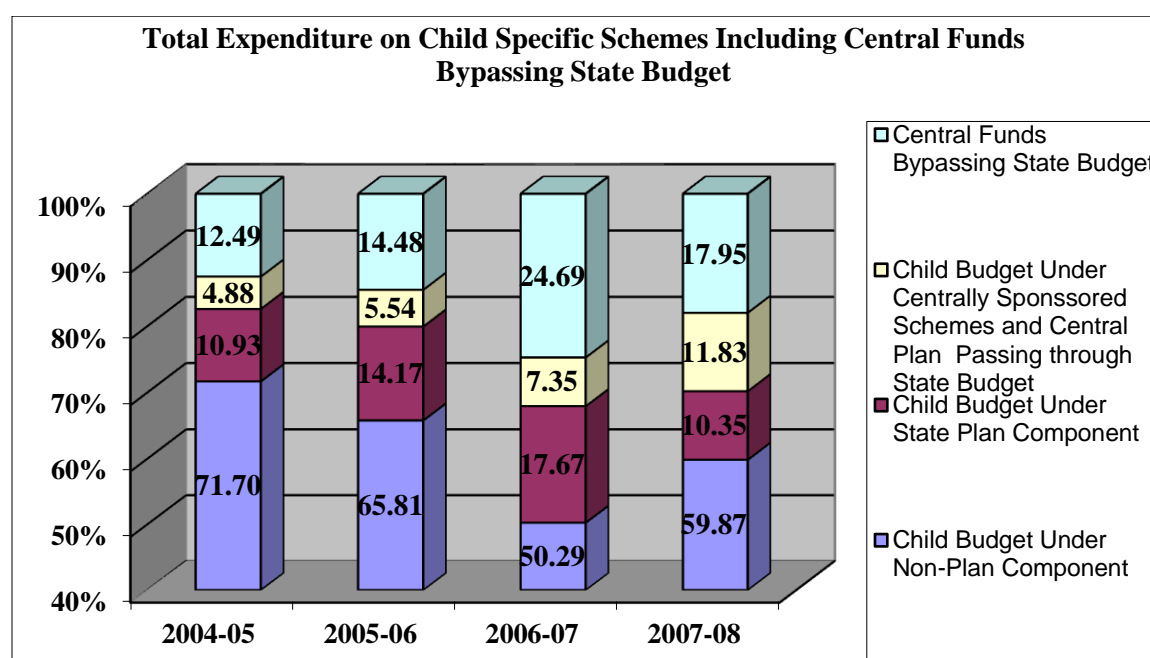
Source: Detailed Demand for Grants, Government of Bihar, Various Years and Table 4E above

Table 4F presents an estimate of the total public resources allocated to child specific schemes in Bihar including the central transfers that bypass the state budget. This can be considered as the total child budget for Bihar. The total child budget for Bihar increased from Rs 4567 crore in 2004-05 to Rs 6332 crore in 2007-08. The share of central funds bypassing the Bihar budget in the total child budget increased from 12.49 percent in 2004-05 to 17.95 in 2007-08. The all-time high was in 2006-07 when such transfers accounted for 24.69 percent of all public resources devoted to children. The decline in the child budget between 2206-07 and 2007-08 was accounted for by decline in the state plan component and the central shares bypassing the state budget.

Figure 4.13 below illustrates the trends over the four years. The non-plan component of the Child Budget in Bihar has declined from 71.7 percent in 2004-05 to 59.87 percent in 2007-08.

The state plan component after registering an increase from 10.93 percent in 2004-05 to 17.67 percent in 2006-07 showed a significant decline to 10.35 percent in 2007-08. This was lower than the 2004-05 levels. The share of central funds routed through the state budget has seen a gradual and significant increase from 4.88 percent in 2006-07 to 11.83 percent in 2007-08. Compared to the trend in central funds bypassing the state (see previous paragraph), the share of central funds routed through the state budget shows a much more steady trend. This could possibly strengthen the argument for a revisiting of the implication of fund transfer mechanisms on fund utilization patterns.

Figure 4.13: Total Expenditure on Child Specific Schemes including Central Funds Bypassing State Budget



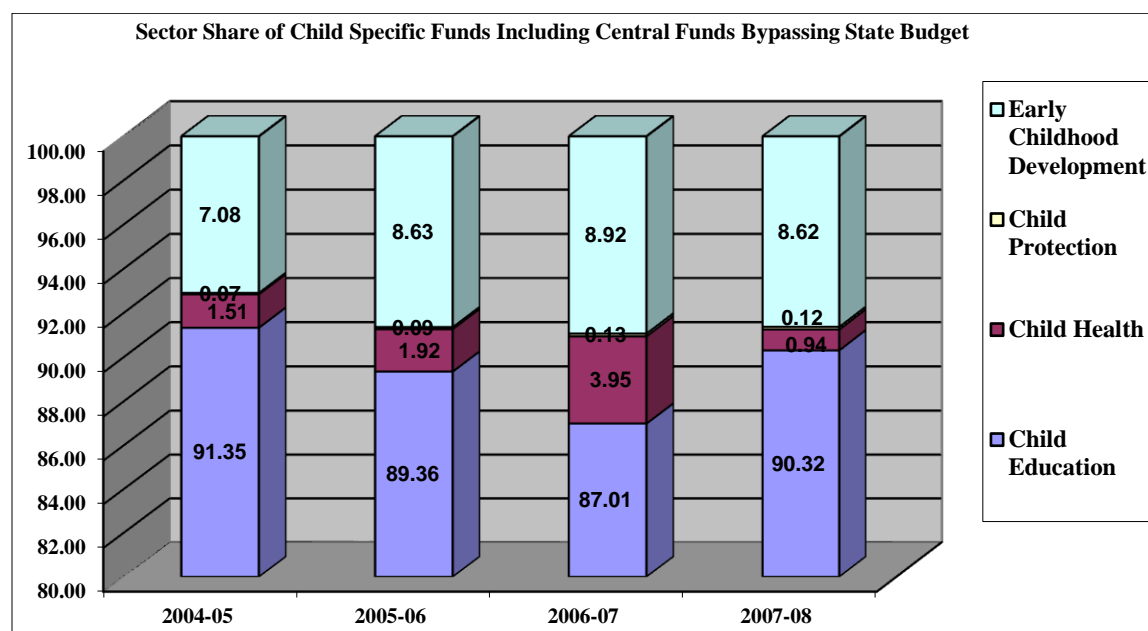
Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.12 in Annexure

Figure 4.14 presents the sectoral composition of the total child budget for Bihar after including the central funds bypassing the state budget. We find that the distribution of resources across sectors remain quite skewed with marginal differences compared to Figure 4.6 that presented the sectoral share of the funds passing through the Bihar budget. If we examine the sectoral distribution for 2006-07, the year for which our data on central funds is complete, we find that child education still accounted for 87 percent of resources; early childhood development

accounted for 8.92 percent; allocations for child protection were still insignificant at 0.13 percent while child health showed an increase to 3.95 percent.

Figure 4.14: Sector share of Child Specific Funds including Central Funds bypassing State Budget



Source: Detailed Demand for Grants, Government of Bihar, Various Years

See Table 4.13 in Annexure

To summarize, the detailed analysis of public resources devoted to child specific schemes in Bihar reveals the following major issues:

1. There has been a decrease in the outlays for planned interventions benefiting children in an overall policy climate of increasing plan outlays in Bihar in recent years. This is especially clear for the year 2007-08.
2. There is a severe lacuna in the budgeting exercise for expansion, development and maintenance of infrastructure that benefits children directly. This is reflected in the low shares of non-wage expenditure in the largest schemes and also the very low

percentages of capital expenditure, especially in education where the government owns 95 percent of the infrastructure.

3. The sectoral share of outlays for child specific schemes is highly skewed with education claiming close to 90 percent of the resources followed by a 9-10 percent share of early childhood development. The share of child protection is virtually nil and child health accounts for less than one percent. The targeted interventions through centrally sponsored schemes have not made much difference to this asymmetric distribution. We have also noted that plan expenditure on children in Bihar is heavily dependent on central schemes, as the magnitude of state plan schemes for children is relatively small. In light of this, it is imperative for the state government to provide significantly higher magnitude of resources for plan interventions for children, especially in the sectors of child protection and child health.

Chapter Five

Fund Utilization in Bihar in Child Specific Schemes

In the previous chapters, we have focused on the quantum and pattern of public resources allocated for children in Bihar. We have also noted that there are several child specific schemes that are being actively promoted by the central government. In fact, in recent years, Centrally Sponsored Schemes have become the single largest source of public intervention to address the needs of children. However, many issues related to implementation of the schemes have been raised and continue to be raised. One important question that has often been raised with regard to such allocation is the issue of fund utilization.

An observed pattern over the years is chronic under-utilization of allocated funds for such schemes. In the case of Bihar, this problem is alleged to be particularly severe. To probe this issue, in this chapter, we study fund utilization patterns for seven child specific schemes covering the four sectors – education, health, protection and early childhood development. The schemes that have been studied are Sarva Shiksha Abhiyan and Mid Day Meal Scheme (Child Education), Reproductive and Child Health Programme and Universal Immunization Programme (Child Health), National Child Labour Project (Child Protection), and Integrated Child Development Scheme and Total Sanitation Campaign (Early Childhood Development). The schemes often overlap across sectors and the classification is just a rough guide to ensure that all the four major sectors related to child rights are being covered through the selection of schemes for study. Based on financial data and information on issues regarding implementation, collected from the state level offices of the implementing authorities for these schemes, we present an overview of the structure of the scheme, patterns of fund release and utilization and identification of major bottlenecks with regard to fund utilization. The fund transfer procedures are similar for all the schemes except NCLP. Funds from the central government are transferred electronically to the account of the state implementing authority. However, the disbursements from state to districts are still mainly dependent on demand drafts and thus take at least a fortnight from the date of issue. The disbursement to blocks and villages take even longer and thus the entire fund transfer process from the centre to the village/block may take between one and three months.

5.1 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) has evolved into the largest central intervention for children today since it was first conceived in the state education ministers' conferences held in October 1998. To pursue the attainment of universal elementary education as a mission, a national committee of the state education ministers under the chairmanship of the minister for Human Resource Development was set up on the recommendation of the conference to work on the approach. It submitted its report in 1999. The scheme was approved by the Union cabinet in its meeting held on 16 November 2000 and became operational from January 2001. The major goals of SSA are:

- All children in school by 2005
- Focus on satisfactory quality with emphasis on education for life
- Bridging gender and social gaps in primary by 2007 and in elementary by 2010
- Universal retention by 2010

The SSA started as a central initiative but the funding pattern was revised in September 2007. The revised funding pattern between the Central Government and States/UTs are supposed to be in the ratio of 65:35 for the first two years of the XIth Plan i.e. 2007-08 and 2008-09; 60:40 for the third year i.e. 2009-10; 55:45 for the fourth year i.e. 2010-11; and 50:50 thereafter i.e. from 2011-12 onwards. This funding pattern became effective from 1.4.2007. So, for the period of our study, the state share of 35 percent featured in the Bihar budget for 2007-08.

Administrative Structure

In Bihar, Sarva Shiksha Abhiyan (SSA) was launched in 2001-02 in all districts. The Bihar Education Project Council (BEPC) is the implementing agency for SSA in the state. It was established in 1992 as an implementing authority for the District Primary Education Programme (DPEP) and the structure of the BEPC evolved around the needs of DPEP. The State Project Director belonging to the Indian Administrative Service heads the BEPC at the state level. Likewise at the district level, the District Superintendent of Education (DSE) cum- District Programme Coordinator is the head of the district BEPC office. The BEPC, over the years, has built up a base of physical infrastructure and human resource for regular and effective functioning of the implementing authorities at various tiers right from the block to the district and state levels.

Pattern of Fund Release

In Table 5.1A, the pattern of grant release from the central government in the last four years has been shown. In 2004-05, the first installment of the grant was released in September. Thus it was only after six months into the financial year that the first installment was released. But in the next year, the first installment was released in July, which is a slight improvement. But this meant that no funds were released in the first quarter of the financial year. In contrast, in 2006-07 the first installment arrived as early as in April 2006. The second installment was also released by middle of August and the third by November of the same year. The fund release patterns were also regular and on time in 2007-08. Thus the overall pattern of fund release has improved over the four-year period covered in the scope of this study.

Table 5.1A: Timing and Amount of Funds Received from

Government of India for SSA in Bihar (Rs. in Lakhs)

Installment Received from GOI	2004-05	2005-06	2006-07	2007-08
1st Installment	15000 (23-09-04)	30200 (18-07-05)	429 (13-04-06)	50000 (25-01-07)
2nd Installment	15200 (14-10-04)	0	35000 (17-08-06)	20000 (06-06-07)
3rd Installment	0	0	17200 (16-11-06)	33982.85 (12-09-07)
4th Installment	0	0	0	24410.59 (06-11-07)

5th Installment	0	0	0	54216.68 (27-12-07)
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Note: The date of release of each installment is shown in parenthesis in the table.

Source: Bihar Education Project Council

Pattern of Fund Utilization

SSA General: The trend of resource utilization in the last four years has improved in accordance with the increasing size of the funds available for SSA. Table 5.1B presents data on fund release, availability and expenditure for SSA in Bihar. In 2004-05, 70 percent of the available funds were spent under SSA, which was 45 percent of the approved budget. In the next year, 2005-06, expenditure as a percentage of available funds increased to 76 percent. This amounted to 52 percent of the approved budget. In the same year, 71000 Panchayat Shiksha Mitras were recruited to fulfill the commitment that there would be no school in any district by September 2005 with a pupil-teacher ratio of more than 70:1.

In 2006-07, the size of the approved budget was scaled up. It was almost three times higher compared to the previous year. The total funds available were also almost thrice the size of the amount in the previous year. The scale of work within SSA was also expanded accordingly. Expenditure in this year was 91 percent of funds available and 66 percent of the approved budget. Expenditure was concentrated on expansion of civil construction of mainly school buildings and purchase of Teaching and Learning material. For 2007-08, the budget increased by 35 percent compared to the previous year and there was a 22 percent rise in funds available. In the eleven months up to February of the financial year, 71 percent of available funds were utilized. This is a reversal compared to the previous year. Thus fund utilization is still low with respect to approved budgets, and has remained at 70-75 percent of total funds available in general with an exceptionally high expenditure ratio of 90 percent in 2006-07.

Table 5.1B: Pattern of Fund Release and Expenditure: SSA Bihar (Rs. in Lakh)

Year	2004-05	2005-06	2006-07	2007-08 (Up to February 2008)
Approved Budget	83582.68	84274.04	234014.72	316149.30
Unspent Balance (Opening)	15518.22	16068.13	13970.54	15491.02
Funds Released by Central Government	30200	30200.00	102629	132610.12
Funds Released by State Government	8000.00	12132.67	53850.00	60000.00
Total Fund Released	38200.00	42332.67	156479.00	192610.12
Total Available Fund	53718.22	58400.80	170449.54	208101.14
Total Expenditure	37650.09	44430.26	154958.52	146853.29
Unspent Balance (Closing)	16068.13	13970.54	15491.02	61247.85
<i>Expenditure as a Proportion of Available Fund (in %)</i>	<i>70.09</i>	<i>76.08</i>	<i>90.91</i>	<i>70.57</i>
<i>Expenditure as a Proportion of the Approved Budget (in %)</i>	<i>45.05</i>	<i>52.72</i>	<i>66.22</i>	<i>46.45</i>

Source: Bihar Education Project Council

NPEGEL: The National Programme for Education of Girls at Elementary Level (NPEGEL) is a gender-specific intervention under SSA designed to bring all girls to school and retain

those who are already in school. However the scale of intervention is very small – it accounts for less than 2 percent compared to the SSA budget. Table 5.1C provides an overview of fund utilization patterns for this programme. In Bihar, the proportion of expenditure against available fund released had increased from 69 percent to 73 percent between 2004-05 and 2005-06. However, in the last two years, 2006-07 and 2007-08, this proportion has declined to 46 percent and 30 percent respectively. There was also a huge opening balance in 2007-08 of Rs 4008.77 lakhs which was slightly less than the approved budget for the year. The approval board for the annual work plan and budget for 2007-08 highlighted the low spending under this component. Several innovations were suggested under the scheme like provision for cycle for girls studying in class 6-8, training for girls in health and sanitation and selection, orientation and appointment of gender coordinators. However, this has not translated into any substantial action. The Mukhya Mantri Balika Cycle Yojana Scheme has been launched, but is meant for girls studying in Class 9. Thus it is a reward for those who have completed elementary education, but not a direct incentive to continue elementary education.

Table 5.1C: Pattern of Fund Release and Expenditure: NPEGEL Bihar (Rs. Lakhs)

Year	2004-05	2005-06	2006-07	2007-08 (Up to February 2008)
Approved Budget	4900.11	5733.18	7393.03	4806.04
Unspent Balance (Opening)	0.00	562.01	934.56	4008.77
Funds Released by Central Government	1837.54	1770.56	5544.39	0.00
Funds Released by State Government	0.00	1180.00	923.21	923.21
Total Fund Released	1837.54	2950.56	6467.60	923.21
Total Available Fund	1837.54	3512.57	7402.16	4931.98

Total Expenditure	1275.53	2578.01	3393.39	1490.39
Unspent Balance (Closing)	562.01	934.56	4008.77	3441.59
<i>Expenditure as a Proportion of Available Fund</i> <i>(in %)</i>	69.42	73.39	45.84	30.22
<i>Expenditure as a Proportion of the Approved Budget</i> <i>(in %)</i>	26.03	44.97	45.90	31.01

Source: Bihar Education Project Council

KGBV: Kasturba Gandhi Balika Vidyalaya (KGBV), another gender-specific intervention seeks to provide lodging facilities at elementary level for school going girls with special preference to SC, ST, OBC and minority communities in difficult areas. In Bihar, it was launched in 2005. Table 5.1D presents information on funds released and expenditure for this scheme. In 2005-06, the utilization of fund was very low at 14 percent of released funds and 12 percent of the approved budget. This has been attributed by BEPC officials to the slow pace of progress in opening of KGBV schools and actual construction of the school buildings. In the consecutive year of 2006-07, the utilization reached 69 percent of both the approved budget and fund released as the total approved budget was released by the state and central governments. In 2007-08, up to November, 51 percent of released funds had been spent. However, the approved budget for 2007-08 was scaled up almost six times the amount in the previous year. Expenditure was just 12 percent of this scaled up budget up to November of the financial year.

Table 5.1D: Pattern of Fund Release and Expenditure: KGBV Bihar

(Rs Lakhs)

Year	2005-06	2006-07	2007-08 (Up to November 2007)

Approved Budget	1769.83	2244.66	12974.40
Funds Released by Central Government	1115.19	1683.50	2330.47
Funds Released by State Government	446.44	561.16	662.19
Total Fund Released	1561.63	2244.66	2292.66
Total Expenditure	213.25	1549.19	1537.04
<i>Expenditure as a Proportion of Released Fund (in %)</i>	13.66	69.02	51.36
<i>Expenditure as a Proportion of the Approved Budget (in %)</i>	12.05	69.02	11.85

Source: Bihar Education Project Council

Observations on Implementation

Planning: SSA is based on a three tier planning process to capture local needs to the maximum possible extent. The Annual Plan at the school level is prepared by Village Shiksha Samiti (VSS) in a prescribed format called School Elementary Education Plan (SEEP) with the help of the schoolteachers. At the block level the plan is prepared by the Block Education Officer, which is called Block Elementary Education Plan (BEEP). There is a similar planning process at the district level led by the District Superintendent of Education. All the District Elementary Education Plans (DEEP) are submitted to the state authority (BEPC). The BEPC after reviewing the plans, collates and sends it for approval to the Centre. It takes around three months to

prepare the plan. Towards this end, every year regional workshops are organized for the district officials to analyze the needs and problems in their respective districts. Each district in turn organizes a workshop for the block level officials and again they are supposed to organize a workshop for schoolteachers. The finalization of the annual plan is supposed to be based on this process.

However, the appraisal note of the Project Approval Board for the SSA work plan and budget for Bihar for 2006-07 had noted that planning and management were the weakest areas. The note held that 'besides the write-up on planning process nothing else in the plans as well as in the discussions with the state team substantiates the claim of participatory, decentralized and need based planning'. It further noted that even at the state level, there was little coordination and communication among different components. The draft State Component Plan had been submitted a day before the appraisal started. Data mismatch, standardized plan write-ups, lack of co-ordination between activities and budgets pointed to severe qualitative deficiencies in the planning process.

Further, state level officers pointed out that the Village Shiksha Samiti as a whole is often not consulted on the planning process as the school level plans are mainly prepared by the teachers. Thus inadequacies in the planning process seem to be the biggest stumbling block for SSA in Bihar.

Staffing: The implementing authority for SSA in Bihar, the Bihar Education Project Council (BEPC) considers its infrastructure and staffing base to be adequate if not sufficient. Top-level BEPC officials reiterated this position in multiple interviews. They held that a large physical infrastructure and staffing base both at the state level as well as at the district level offices is in place in proportion to the quantum of funds available and the multiplicity of work under SSA guidelines. However, the appraisal note of the Project Approval Board for the SSA work plan and budget for Bihar for 2006-07 had noted that acute shortage of staff (90 percent vacancy) 'seems to have acquired the shape of a major crisis'. The vacancies were both at the state and district level in programme components, administration, finance and engineering. The report further noted that the even in the sixth year of the implementation of SSA in the state, there had been no improvement in project staffing. The state had been implementing DPEP in 11 districts and the present staff for SSA in 38 districts are 'merely the left over of the DPEP project staff'. Clearly, there is a gap in the way staff adequacy is being assessed by BEPC and the approval board. The approval board is going by sanctioned vacancies, while BEPC officials insist that

staffing requirements should be assessed on actual execution of work, the nature of the job and amount available for spending. The state authority has put forward its position on this issue in the annual work plan and budget for 2007-08. Out of 77 posts at the state level, 66 had been filled up by 2006-07. It has been argued that the main problem is at the level of the Block Resource Centre (BRC) and Cluster Resource Centre (CRC). 44 percent posts at the district level were vacant. Managing work at the block and cluster level becomes very difficult, as no whole timers are available at this level. The post of coordinator of Cluster Resource Centre is temporary and leads to high attrition. The post of the Block Resource Centre is ex-officio – the Block Education Extension Officer is the coordinator for BRC. Implementation of SSA at the district level is highly concomitant on the individual role of the District Superintendent of Education (DSE) who is also the ex-officio District Programme Coordinator. Since SSA is only of the many responsibilities of the DSE, time and effort in SSA is often not adequate compared to the needs. Thus, absence of regular devoted staff at the BRC/CRC and District level are the main reasons for mechanized planning and failure to ensure public participation.

Training and Capacity Building: Under SSA norms, there is no provision of training for state level staff. Yet, their role is important in the entire implementation of SSA. However, 6 percent of the budget is allocated for management cost, a part of which can be used for training, but only 3 percent is being spent under this head. The state level authority is trying to co-ordinate with Bihar Institute of Public Administration and Rural Development to address this issue. The expenditure on the innovation component currently stands at 3-4 percent of the allocation. At the school level, there is scope for higher utilization under this component. However, the lacuna in staffing structure and planning procedures discussed above also lead to limitations on innovative capacity.

Low Priority to Gender Based Components: The fund utilization ratios are much lower in the gender-based components of the programme. Tables 5.1C and 5.1D point to decreased spending capacity in the last two years. The total enrolment in KGBVs was only 5454 by March 2007. The proportion of students from various categories was as follows: SC (49%), ST (7%), OBC (24%), Minority (17%), BPL (1%) and Others (2%). There are 350 sanctioned KGBVs but only 128 were operational in 2006-07. The work plans do not reflect any substantial thought on the matter except to note that utilization figures are low on these components.

5.2 Mid Day Meal Scheme

The Mid Day Meal Scheme (MDMS) was introduced in Bihar in 1995. It has multiple goals like enhancement of children's nutrition, educational advancement, social equity and hygiene and sanitation.

From 1995 to 2004, the scheme consisted of distribution of dry rations of 3kgs to children. It was only in 2003-04 that cooked meals were introduced in 30 blocks of 10 districts in Bihar. In 2004-05, a dry ration of 2kgs to children was introduced in areas not covered by cooked meals. From January 1, 2005, the MDMS was universalized in Bihar covering all primary schools including learning centres. The central government and the state government in the ratio of 72:28 respectively share the costs of meals.

Administrative Structure

The District Magistrate is the Nodal Officer for the scheme at the District level. The District Committee oversees implementation of the scheme at the district level and also has a monitoring role. It is headed by the District Magistrate, and consists of the Deputy Development Commissioner, Civil Surgeon, District Education Officer, District Superintendent of Education, District Supply Officer and representatives of Food Corporation of India (FCI), State Food Corporation (SFC) and Integrated Child Development Scheme (ICDS).

The Block level Steering committee is headed by the Block Development Officer and its members include the Block Education Extension Officer (BEEO), the Chief Medical Officer of Primary Health Centre (PHC) and representatives of ICDS, Civil Supplies Department and State Food Corporation among others. Besides, there are nominated members including teachers, nutritional experts and women members of Village Shiksha Samiti (VSS) and women's groups in these Committees at all levels.

At the school level, Vidyalaya Shiksha Samitis (VSS) are responsible for implementation of the scheme. The VSS is a fifteen-member body out of which twelve members are elected, two are nominated and one member has an ex-officio capacity. The headmaster of the school is the ex-officio member and the Panchayat Mukhia nominates two members. Twelve members are

elected in a general body meeting of guardians of students enrolled in the school. The Mukhia chairs this meeting. Nine guardians and three persons whose wards are not enrolled in the school are elected through this meeting.

The Human Resource Development Department of the State Government is the Nodal Department for the Mid-Day Meal (MDM) Scheme at the State level. In 2006-07, a State level MDM Cell was constituted in the leadership of Director, Primary Education. Since this scheme is now running in all the 38 districts of Bihar, the Human Resource Development Department has focused on the formation of a separate Directorate for the MDM scheme in 2007-08. An IAS officer heads it. The directorate has a deputy director, statistical officer, data assistant, accounts officer and a few other officials. It is still in the process of being expanded and recruitments are scheduled over the coming months. A State Level Steering cum Monitoring Committee monitors the programme. Steering cum Monitoring Committees have been set up at state, district and block levels. These Committees review and monitor the implementation of the MDM scheme in the State. The State committee, headed by the Chief Secretary, has, among others, Secretaries of Primary and Adult education, Planning and Development, Health, Food and Civil supplies, Rural Development, Urban Development, Department of Public Health Engineering (PHED) and Welfare Department as members.

Pattern of Fund Release

Table 5.2A: Timing and Amount of Funds Received from Government of India for MDMS in Bihar

Items: Fund Installments Received from GOI	(Rs. In Lakh)	(Rs. In Lakh)	(Rs. In Lakh)
Installment 1: Date of Fund Receipt	(12030.20)	(461.77) 12.04.06	(20253.505) 27.06.07
Installment 2: Date of Fund Receipt	(4000.00)	(5249.30) 28.09.06	(516.705) 18.07.07
Installment 3: Date of Fund Receipt	(3689.07)	(256.26) 21.12.06	(7464.765) 17.12.07
Installment 4: Date of Fund Receipt	-	(12938.38) 10.01.07	-
Installment 5: Date of Fund Receipt		(5591.75)	

Installment 6: Date of Fund Receipt		(4038.00)	-
Installment 7: Date of Fund Receipt		(838.97)	-
Installment 8: Date of Fund Receipt	-	(949.05)	-
Installment 9: Date of Fund Receipt	-	(1000.00)	-

Source: Human Resource Development Department, Bihar State Government

Table 5.2A above presents the timing and amount of funds released by the central government to the state for the scheme. In 2005-06, the state government received the first installment in the middle of October 2005. The second installment was released in the last month of the financial year and the third and last installment was released in the early part of the next financial year. This delay was one of the reasons for low utilization of funds in 2005-06 (see Table 5.2B). In 2006-07, the first installment was released as early as April 2006. The six subsequent installments of the total magnitude of the funds released were regular till December 2006. However, the last two installments were received in the next financial year. In 2007-08, the release pattern was more regular with all funds released periodically in three installments from June to December. Thus, the pattern of fund release has improved over the last three financial years. This has also had a direct bearing on the pattern of fund utilization presented below.

Pattern of Fund Utilization

Table 5.2B: Pattern of Fund Release and Expenditure for Mid Day Meal Scheme Bihar

Items	Total budget approved for the State by Govt. of India (In Rs. Lakh)	Total amount of funds released for the State (In Rs. Lakh)	Total expenditure reported by the State (In Rs. Lakh)	Share of Expenditure under total Amount of Approved for the State by Gov. of India (In %)	Share of Expenditure under total Amount of Released Funds by State (In %)

2004-05	13285.72	13285.72	13285.72	100.00	100.00
2005-06	19719.27	19719.27	12030.20	61.01	61.01
2006-07	36463.60	29374.43	28774.49	78.91	97.96
2007-08 (UP TO DEC.07)	28318.17	27718.27	20853.41	73.64	75.23

Source: Human Resource Development Department, Bihar State Government

Table 5.2B reveals that for the year 2004-05, 100 percent fund utilization was achieved both with respect to funds released as well as the approved budget as 100 percent of the approved budget was released. This was the last year of the pilot run of the project with provision of cooked meal in about 2531 schools spread over 30 blocks in 10 districts and dry rations of 2kg being the norm in the rest of the schools. Thus, the scale of operation was relatively small and marked the successful completion of the pilot run. The cooked meal programme was scaled up to all of 15,000 schools in these districts, covering about 30 lakh children in the next year. The children in remaining schools continued being provided dry ration of 2 kg every month. In 2005-06, the MDMS was universalized in the state and all 38 districts were instructed to run this programme. The magnitude of funds for MDMS was also raised by near about 48 percent. The budgeted amount was released in full to the state. But the expenditure in 2005-06 as a percentage of funds released fell to 61.01 percent (Table 5.2B). In contrast, the expenditure against the funds released in 2006-07 is very high (97.96 percent). However, it was only 78.9 percent of the approved budget. The universalisation process has taken two years to become functional as infrastructure and human resource deployment had to be built up. This explains the difference in fund utilization in the two years 2005-06 and 2007-08. By 2007-08, infrastructure development in schools in the form of kitchen sheds was evident in a significant manner with the intervention of the Bihar Education Project Council (BEPC). This led to convergence of fund utilization for the different components of the scheme starting in 2006-07.

In 2007-08, the gap between approved and released funds narrowed and 75 percent of funds had been utilized by December 2007.

Observations on Implementation

In Bihar, the MDM scheme faces several problems at each level of implementation. Out of the many observations made by the officials at the state directorate, some major issues can be identified. These are:

Lacuna in Planning - The annual planning exercise has not been undertaken so far. Planning is an ad hoc mechanical exercise based on secondary data. The directorate is however aware of this lacuna. The Directorate is trying to explore a planning strategy, which encompasses a holistic approach for the MDMS such that at each level there should be a planning process so that local needs can be met. In addition, it is also planning to compare and learn from the implementing procedures with other well-performing states in the country.

Lack of Infrastructure - Some of the schools do not have kitchen sheds, storage space, adequate utensils to cook or plates and glasses. In many schools, feeding takes more than an hour as students are fed in batches of 30 – 60 due to shortage of plates.

Staffing Issues – There is lack of adequate number of staff at the state level directorate as it is still in the process of being set up. However large-scale appointments of cooks and helpers have taken place. These appointments are made through the VSS. The total number of cooks and helpers in the state are 1,12,926. According to district level statistics obtained from the state directorate, 76 percent of the appointees are women, 35.7 percent are from SC and 2.1 percent are from ST backgrounds. 40.4 percent are from OBC backgrounds while close to 11 percent are from minority communities (Table 5.2C). A study of the MDMS in Bihar commissioned by the Ministry of Human Resource Development and carried out by Jamia Milia Islamia in 2007 observed that 90 percent of cooks were from oppressed classes, especially women.

Table 5.2C: Social Background of Cooks and Helpers for MDMS

Status Groups	Male	Female	Total
SC	7.5	29.2	36.7
ST	1.0	1.1	2.1
OBC	10.2	30.2	40.4
Minority	2.9	7.9	10.8
Others	2.6	7.5	10.2
Total	24.1	75.9	100.0

Training and Capacity Building - Training has also been prioritized in the implementation of the scheme. Capacity building programmes for the staff, particularly for cooks and helpers regarding the nutrition value of food served and other ingredients for maintaining hygiene is organized but needs to be done on a regular basis.

Irregular supply of food grains - According to the key respondent at the State Directorate for MDMS, there are several bottlenecks in the supply chain for food grains. Most of the time, the Public Distribution System (PDS) and the State Food Corporation (SFC) provide poor quality food grains with the loss of 4-5 kg each bag. Sometimes the PDS dealers do not facilitate the lifting of food grains leading to the perpetuation of classroom hunger among children.

Irregular fund flows at the school level - Another set of problems faced by the implementing authority is the fund flow to schools, which is circuitous and irregular. In most of the districts this happens due to the unevenness of technological advancement in banking operations. In some districts, there is no facility of electronic transfer of funds. In that case the money is sent to the respective districts through Demand Drafts. This takes more than a fortnight to reach the respective schools.

Lack of Supervision at the District Level - As per the MDM guideline the management structure is such that the District Superintendent of Education (DSE) is the key implementing authority at the district level. The DSE is also the key person for implementation of the Sarva Shiksha Abhiyan (SSA) in the district. Multi-tasking does not allow DSEs to devote sufficient time for the close monitoring and implementation of the MDMS. Till recently, before the formation of MDMS

Directorate, this programme was accorded low priority by implementing authorities both at state and district levels.

Problems at the level of the VSS - At the school level, the role of VSS determines the regular implementation of the MDMS. Towards the smooth running of the scheme, the relation between other VSS members and the school headmaster takes on a high significance. The respondent elucidated by citing several examples of how such disputes has impeded the smooth running of the scheme. Such disputes have sometimes led to legal complications and the BEEOs face disruption in providing cooked meals to the children.

General problems of underdevelopment - Apart from logistical problems in the MDMS implementation, in Bihar, there are several larger problems, which affects the implementation of the scheme quite directly. Some of these are — floods, poor road connectivity and sudden closure of schools during extreme hot and cold seasons.

The study of MDMS in Bihar by Jamia Milia Islamia in 2007 observed that 80 percent of sampled schools served hot meals. Overall, in spite of major bottlenecks, the MDMS scheme has shown a steady increase in the capacity to utilize funds.

5.3 Reproductive and Child Health Programme (RCH) and Universal Immunization Programme (UIP)

The Reproductive and Child Health Programme (RCH) is a very significant part of National Rural Health Mission (NRHM) seeking to provide effective health care to the rural population throughout the country. The RCH includes the prevention and management of unwanted pregnancy and services to promote safe motherhood. It also promotes child survival including essential newborn care, prevention and treatment of respiratory tract infections and sexually transmitted diseases, establishment of the effective referral system, reproductive services for adolescent health, sexuality, gender information, education and counseling.

Immunization programme is one of the most cost-effective health measures which makes the vaccines available for the control of six diseases. In India, the Universal Immunization

Programme (UIP) was launched in 1985 to attain the target to immunize all eligible children by 1990. In Bihar, this programme was being run in a lackadaisical manner with low rates of immunization. In July 2005, a programme was started to revive the UIP and the state government declared 2006 as Immunization Year.

Administrative Structure

Both the Programmes (RCH and UIP) are run by the Bihar State Health Society. It had been set up in 2003 but started functioning in a comprehensive manner since 2006. It is headed by an Executive Director who belongs to Indian Administrative Service (IAS). At the district level, the District Health Society is the implementing society to run both the programmes.

Fund utilization in RCH and UIP needs to be studied within the overall structure of the NRHM programme. The NRHM has four components designated as A, B, C and D. The entire funds under NRHM A are related to RCH. Similarly, NRHM C consists of funds for Routine Immunization and Pulse Polio programme which together make up UIP. NRHM D consists of allocations for disease specific interventions that are not necessarily child specific and is beyond the scope of this study. However, NRHM B which mainly consists of components dedicated to building up and maintaining health infrastructure has been addressed as RCH and UIP cannot really function effectively unless fund utilization in NRHM B is effective.

Pattern of Fund Utilization

Fund Utilization data for NRHM and its specific components were available only for two years. This is presented in Table 5.3A. Fund utilization patterns reflect the priorities accorded to various components under NRHM in the last two years. In 2006-07, UIP (NRHM C), utilization was more than 100 percent. In this year, a massive immunization drive was launched as the government had declared it as Immunization Year. But in 2007-08, expenditure declined to half compared to the previous year and amounted to only 46 percent of allocated funds. However, in 2007-08, the fund utilization under NRHM A (RCH) amounted to more than six times of the actual allocation and was four times more than the expenditure in 2006-07. This was mainly due to the prioritization of the Janani evam Bal Suraksha Yojana in 2007-08 which according to one State Health Society official had 'hijacked the NRHM'. Thus the first observation is that in spite

of the envelope nature of activities designed within the NRHM, in practice, fund utilization patterns seem to be dictated by focus on single projects.

Second, in 2006-07, for RCH, Rs 20754.5 lakh had been released. However, actual expenditure was only 10 percent of the release. Due to the presence of spill-over funds, the release for 2007-08 had been cut down to Rs 1416.5 lakhs. However, the exact amount of spill-over funds is difficult to calculate as funds are diverted from one programme to another. NRHM allows this flexibility. But it is clear that the total expenditure over the two years compared to total release is low. For instance, a part of funds released for NRHM B were used for NRHM A in 2007-08.

Finally, both RCH and UIP depend on the status of health infrastructure. This component is addressed in NRHM B. From Table 5.3A, expenditure compared to release was 35 percent in 2006-07 and fell to 26 percent in 2007-08. Low expenditure in this component has an overall impact on the specific programmes.

The total utilization under all three components amounted to 32 percent of released funds in 2006-07 and 123 percent in 2007-08. However this is misleading. The reason for the higher proportion of expenditure is partly explained by the size of the release in 2007-08 which was only one third of the amount released in 2006-07.

Table 5.3A: Pattern of Fund Release and Expenditure for NRHM Bihar (Rs Lakhs)

Name of Activities	2006-07			2007-08 (Up to Dec.)		
	Fund Received	Expenditure	Expenditure as % of Fund Received	Fund Received	Expenditure	Expenditure as % of Fund Received
Total NRHM-A (RCH)	20754.50	2193.11	10.57	1416.52	8730.60	616.34
Total NRHM-B	2793.70	980.85	35.11	1500.00	387.56	25.84
Total NRHM-C (UIP)	5626.96	6040.19	107.34	7156.46	3294.88	46.04

Total (A+B+C)	29175.16	9214.15	31.58	10072.96	12413.03	123.23
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Source:

Note:

1. NRHM-A includes Maternal Health, Family Planning, BCC / IEC, Programme Management Cost, and Monitoring (Mobility + Centre).
2. NRHM-B includes APHC Operation Data alisation, Training, Training of ASHA and Untied Funds for Sub-Center.
3. NRHM-C includes Pulse Polio and Routine Immunization.

Observations on Implementation

Both RCH and UIP depend critically on the vertical and horizontal outreach of the Sate Health Society. Thus it is difficult to segregate the role and responsibilities for the individual programmes. At the district and village level, the degree of overlap in terms of infrastructure and human resource is even higher. So, the causal issues around fund utilization for both programmes are addressed together in this sub section.

Planning- The planning exercise for NRHM is quite detailed. But it is mainly top down, where ANMs present a set of targets at the end of the financial year for the next year. The data centre at the state level collates this data and plans are prepared on this basis. The Society is aware that planning needs to be done with a bottom up approach starting at the village level. A tender was floated to appoint an organization to help with the planning process, but the matter is now sub-judice. At the moment, health managers at the district and block level are responsible for planning.

Staffing: The district health societies had to deal with severe staff shortage in the face of the ambitious targets of the programmes. To address this, 400 ANMs were recruited on daily wages to keep the immunization programme running in 2005. Phased out recruitment over a period of three years up to 2007-08 has eased the pressure. The number of ANMs is around 10000 which is 50 percent of the requirement assessed in 2007. At present there are 5000 ANMs devoted to the immunization programme in the state. Out of the 74313 Accredited Social Health Activists

(ASHAs) who were supposed to be recruited over the entire period of the NRHM, 66710 have been recruited so far. The entire implementation of NRHM at the grass-root level is based on the work of ASHAs. However, ASHAs in the state have not been receiving their honorarium regularly. Even when they receive such honorarium, the full amount does not reach them as intermediaries keep a cut for themselves. The ASHAs in Bihar have been disgruntled since over a year now and collectively demanding better working conditions and wages. This unrest among ASHAs has not received any sympathetic hearing so far. This has a direct bearing on motivation.

By the end of 2007-08, programme managers, data officers and accounts personnel had been appointed upto the block level to facilitate internal working of the implementing authorities at various levels. However, lack of technical know-how and manpower is still an issue within the society. This has led to delay in submitting utilization certificates.

There is lack of specialist doctors, especially gynecologists and anesthetists. No qualified specialist is willing to work at the low fixed pay of Rs 20000 per month. There are just 31 anesthetists in service while the number of districts in Bihar is 38. This has a direct bearing on the number of institutional deliveries in the state and is a major handicap for RCH. Other specialists are also not available

Infrastructure- Coverage through health sub centres is 53 percent of the required norm. 75 percent of PHCs and 45 percent of Additional PHCs are functioning. Coverage of referral and sub-divisional hospitals are very low at 11 percent and 23 percent of required norms (Bihar Economic Survey: 2007-08). At the PHC/APHC level pathological and radiological services have been outsourced to private parties. Officials at the state level maintained that poor maintenance of Primary Health Centres, shortage of labour rooms with proper equipments, lack of basic amenities in hospitals, and bottlenecks in supply of vaccines and medicines were key infrastructural bottlenecks. To ensure regular supply, a system has been developed where ANMs on a weekly basis are supposed to collect the vaccines and other medicines. However, cold chain maintenance is the biggest problem with regard to preservation of vaccines at the

PHC level. This has a direct impact on UIP. However, a system of sending the vaccines by courier to ensure delivery on the day of the vaccination is being tried on an experimental basis.

Training- The State Health Society is trying to train MBBS doctors in three month long specialist training programmes to tide over the problem of lack of specialist doctors. 12 anesthetists had been trained till December 2007. 16 weeks training had been held for 16 doctors to train in Caesarian section. ASHAs are given a seven-day orientation training. The Department of Public Health Engineering is given funds to run a twelve-day training programme for master trainers. However, training outreach is very limited compared to the demands of the mission.

Monitoring: There is a monitoring team at the state level. But monitoring is sporadic and often confined to districts adjoining Patna. Lack of vehicles and inaccessibility of remote areas were cited as the main reason. But there could be other reasons like unwillingness to travel under difficult conditions and a general lack of priority accorded to monitoring.

Other Issues: Frequent changes in the guidelines for RCH have led to implementation problems both at the state and district level. The NRHM is a flexible programme, but state officials observed that UIP offers less flexibility. At the same time, it is doubtful whether the state is taking advantage of the flexibility in innovatively catering to local needs considering that only 2.5 percent of total expenditure was spent on IEC component.

5.4 National Child Labour Project (NCLP)

National Child Labour Project (NCLP) was initiated in Bihar in the Seventh Five Year Plan period with identification of children working in a few hazardous occupations in the districts of Garhwa of the erstwhile Bihar state. Later the project was extended in three other districts - *Jamui*, Nalanda and Saharsa in the Ninth Five Year Plan period. During the Tenth Plan, 21 more districts were covered under the NCLP. Some of the districts covered under the Tenth Plan have started operationalizing NCLP only in the last one year. At present, NCLP is operating in 17 out of 24 districts in Bihar. In these 17 districts, a total of 1104 NCLP schools are functioning (1177 schools have been sanctioned). These schools cater to 63321 children.

According to a study by the Institute of Social Development and Research (2007), although the incidence of child labour is low and the rate of decline in incidence has been higher in Bihar as compared to the all India averages, many districts like Nawada, Khagaria, Saharsa, Jamui, Nalanda, Gaya, Supaul, Katihar, Purnea, Kishanganj, Araria, Madhepura have high incidence of child labour. Among these districts, Jamui, Nalanda and Saharsa have been running the NCLP project since the Ninth Five Year Plan or earlier, but incidence continues to remain high in these districts.

Administrative Structure

The NCLP as a programme is directly based in the districts. There is no implementing authority at the state level. The implementing agencies are district level societies consisting of government officials and non-government organisations (NGOs). The main implementing agencies are the NGOs.

However, the Department of Labour at the state level has a monitoring role in the project. The officials like the Labour Commissioner have access to a limited amount of data and familiarity with issues around fund utilization. A detailed overview is only possible by carrying out studies at the district level, which is beyond the scope of this report. However, we consulted the District Project Society in Patna to gain insights into issues around implementation of the project. But this cannot be generalised beyond a point, as Patna is the most developed district in Bihar and the situation differs radically from districts with high incidence of child labour. With these qualifications, we present a brief overview of NCLP in Bihar.

Pattern of Fund Utilization

Table 5.4A presents the pattern of fund release and expenditure for three years. Data for 2007-08 was not available. The total grant from the central government increased significantly from Rs. 393.16 lakh in 2005-06 to Rs.877.13 lakh in 2006-07. This was due to the increase in

number of districts in the state covered by NCLP. However fund utilization has declined for NCLP in this three year period from 65 percent in 2004-05, to 56 percent in 2005-06 and a severe drop to 12 percent in 2006-07. While the central release was more than doubled in 2006-07, expenditure declined to less than half in absolute terms compared to the previous year. Some major issues regarding implementation plagues the scheme and may explain the paradox between aims of greater coverage and declining levels of actual fund utilization.

**Table 5.4A: Pattern of Fund Release and Expenditure for NCLP Bihar
(Rs Lakhs)**

Year	Central Release	Opening Balance	Total Fund Available	Expenditure	Percentage Share of Expenditure compared to Total Available Fund
2004-05	290.70	84.07	374.77	243.96	65.10
2005-06	393.16	137.51	530.68	298.02	56.16
2006-07	877.13	108.76	985.89	125.29	12.71

Source: District Project Society, NCLP, Patna

Observations on Implementation

The NCLP has several structural constraints which have become magnified with the expansion of coverage across districts. These structural constraints are the main causal explanation for the declining levels of fund utilization.

Structure of Implementing Agency- The district project societies generally consist of NGOs and government officials. The ISDR report cited earlier also observes that ‘in all the districts covered under the NCLP project, the societies are numerically dominated by government officials on the one hand and many important stakeholders are not represented at all on the other’. The experience in Bihar of implementation of schemes through the Village Shiksha Samitis has demonstrated that the direct participation of stakeholders creates a certain social will for implementation of projects. For schemes like NCLP, which are still not a matter of broad public concern, the project society does not include parents, employers, trade union representatives who can play a valuable role in the implementation process. The structure of the implementing society does not have a channel to reflect the needs and aspirations of the child labourers and their social world. In such a situation the parents, employers and other people in the community do not cooperate in the process of identifying working children – the very first step in the setting up of NCLP in a district.

Staffing Issues- Fund utilization in NCLP is constrained by severe issues around staffing. The staff in the project office is generally low paid. The Project Director, who is supposed to lead the project office is employed on a temporary and part-time basis at a consolidated salary of Rs. 5000/- only. Part-time availability of the director leads to loose functioning of the project. Low honorarium levels have meant that Master Trainers and Doctors have not been appointed in almost all districts. Thus two important components of NCLP i.e. ‘health’ and ‘vocational training’ of students in NCLP schools is not functional at all. The pay issue is most significant in the case of NCLP teachers. Their honorarium of Rs 1500/- per month is less than the stipulated minimum wage. So, schools usually have great difficulty in finding and retaining good quality teachers. Low proportion of female teachers also explains to some extent the low rates of enrolment among girls.

Table 5.4B: Allocation of Funds under Different Components for Patna District (2007-08)

Sl. No.	Items	Funds Per Annum (in Rs)
	Contingency fund	4000.00
2.	Educational and vocational	10000.00
3.	Rent (water and electricity)	12000.00
4.	*Nutrition	78000.00
5.	Stipend	60000.00
6.	**Honorarium	80400.00
	Total	244400.00

* Rs. 5 per child per day

** Rs. 100 per child per month

Source: District Project Office, NCLP, Patna

Table 5.4B reveals that the single largest component within NCLP is honorarium, followed by nutrition. However, the logic of deciding the share of honorarium on a per child basis is questionable. Unless sustainable wages are provided for the staff, the project will remain caught in a vicious cycle of low utilization and low achievement.

Infrastructure- The infrastructure in schools is reported to be very poor especially with regard to drinking water and sanitation facilities. Schools often do not have proper sitting arrangement. Neither do they have proper lighting and ventilation. This is again attributed to insufficient allocation for school buildings. School buildings can only be rented and there are no allocations for infrastructure development. There is urgent need to improve these basic infrastructure facilities in the school as the conditions can actually be harmful for children. Non-availability of learning material has also been reported in the ISDR (2007) report.

Monitoring- Monitoring activities at the state level take place once in a while. But the district societies are once again impaired by lack of funds for carrying out proper monitoring. Table 5.4B shows that there is no allocation for monitoring activities. Project officials in Patna said that traveling becomes difficult in the absence of vehicles.

Apart from the question of ownership and public participation raised right in the beginning, the main constraint in NCLP seems to be in its conception and design. The children after completing the age of 14 are supposed to be mainstreamed in formal labour markets either as wage labourers or self-employed. As NCLP is conceived as a time bound and temporary intervention that will enable mainstreaming of enrolled children in NCLP schools to formal education system particularly to SSA, all components within the scheme have neglected basic questions around infrastructure and staffing. The time-bound nature of the intervention should not come in the way of providing proper infrastructure and trained staff.

5.5 Integrated Child Development Scheme

The Integrated Child Development Scheme (ICDS) is regarded as the one of the world's largest community- based child specific programmes. It aims at the holistic development of children below six years, and expectant and nursing mothers. In India, it was launched in 1975 in 33 blocks along with some urban areas across the country. ICDS is a powerful and ambitious outreach programme to help achieve major national nutrition and health goals embodied in the National Plan of Action for Children. It also contributes to the national goal of universal primary education.

Administrative Structure

A separate Directorate for ICDS was formed in April 2003 under the Department of Social Welfare, Government of Bihar, to run the programme in Bihar. The ICDS envisages an effective convergence of inter sectoral services in the anganwadi centres. The ICDS has been working with the State Health Society for *Muskan Ek Abhiyan* – a campaign for reproductive and child health. In 2003-04, in 533 blocks in Bihar, 394 ICDS projects had been sanctioned while only 183 were operational (Nayak and Saxena 2006). By 2007-08, there were 544 operational ICDS projects in all blocks of the state.

Pattern of Fund Release

Table 5.5A below presents the trend of funds released by the central government to Bihar for ICDS in the last four years. The first installment for ICDS in the last four years has been received between the first and the third months of the financial years. In 2006-07, the second installment was received around February 2007 which reveals a substantial delay in the flow of funds. The last installment in 2004-05, 2005-06 and 2006-07 was received right at the end of the financial year in March. However, the state government has made provisions for the Directorate of ICDS to avoid implementation bottlenecks due to delay in fund-flows. If there is a delay in the fund flow from the centre, the state government releases the necessary amount to ensure continuity in fund flows. This is reflected in negative opening balances in two out of four years under consideration (Table 5.5B). The amounts are adjusted when the central share is released.

Table 5.5A: Timing and Amount of Funds Received from Government

of India for ICDS in Bihar (Rs. in Lakh)

Installment Received from Centre	2004-05	2005-06	2006-07	2007-08

1st Installment: date of fund receipt	2043.61 (24.05.04)	2000.00 (03.05.05)	9373.04 (19.04.06)	5082.36 (01.06.07)
2nd Installment: date of fund receipt	1364.86 (23.07.04)	2000.00 (7.11.05)	11517.86 (15.02.07)	4329.41 (17.09.07)
3rd Installment: date of fund receipt	4000.00 (07.11.04)	820.00 (10.03.06)	85.22 (30.03.07)	6248.62 (12.11.07)
4th Installment: date of fund receipt	2000.00 (24.03.05)	216.11 (10.03.06)	0	0

Note: The receipt date of each installment is in parentheses.

Source: Directorate for ICDS, Department of Social Welfare, Government
of Bihar

Patterns of Fund Utilization

Table 5.5B below presents the pattern of the resource utilization in Bihar for ICDS in the last four years. In 2004-05, almost 84 percent of the available funds were actually spent. In the next year, expenditure increased in absolute terms and exceeded available funds by 34 percent. However, in 2006-07, expenditure as percentage to available funds came down to 2004-05 levels though it doubled in absolute terms. The expenditure in 2007-08 was only 47 percent of funds available upto December 2007. Thus overall capacity to utilize funds has been declining in the last two years. In the entire period, less than one-fourth of the approved budget was spent.

Table 5.5B: Pattern of Fund Release and Expenditure for ICDS Bihar (Rs Lakhs)

Year	Opening balance	Total Budget Approved	Total Funds Released	Total Funds available	Expenditure during the year	Expenditure as a Proportion of Approved Budget (%)	Expenditure as a Proportion of Total Funds available (%)
2004-05	-3035.00	23874.22	9408.47	6373.47	5360.30	22.45	84.10
2005-06	1013.15	43268.27	5036.11	6049.26	8116.62	18.76	134.18
2006-07	-2067.36	60130.50	20976.12	18908.76	15985.94	26.59	84.54
2007-08 (Up to Dec, 2007)	2922.82	46806.05	15660.39	18583.21	8718.43	18.63	46.92

Source: Directorate for ICDS, Department of Social Welfare, Government

of Bihar

Observations on Implementation

The ICDS programme in the state has been accorded importance in Bihar both under the earlier government and the present one. The programme has picked up in recent years but still there are several bottlenecks in implementation.

Planning: The ICDS programme in Bihar does not follow any kind of detailed planning exercise. There is no mechanism in place involving the personnel at the project level in the planning exercise. According to the state directorate, central guidelines are just implemented without any inputs from the state or the districts. However, the process of sanctioning of projects has

speeded up as the power to sanction plan schemes has been devolved and financial authority has been enhanced at the level of the state government. The departmental secretary can now approve upto Rs 2.5 crore under plan head and Rs 1 crore under non-plan head, and the minister can approve upto Rs 10 crore under plan head and Rs 5 crore under non-plan head. Plan schemes larger than Rs 10 crore need cabinet approval.

Staffing: Inadequacy of staff is a serious problem in ICDS. According to the officers in the directorate, at the state and district level, staff like monitoring officers and data assistants is inadequate in number to meet the workload. The sub-district level offices are faced with the lack of Child Development Project Officers (CDPO) and the lady supervisors. The state government had appointed 218 CDPOs and 2900 lady supervisors in 2006-07. However, 60 percent of CDPO posts and 85 percent of lady supervisor positions were still vacant in 2007-08 all over the state. Some positive steps towards filling vacancies were taken in recent years after the state government delegated power of selection of anganwadi workers and anganwadi helpers to the gram panchayat. Anganwadi workers and helpers have been appointed for all anganwadis centres numbering 80221 against the sanctioned strength of 80771.

Infrastructure: Anganwadi centres lack basic physical infrastructures like buildings, toilets, hand pumps, boundary walls and kitchens etc.

Training: Anganwadi staff can deliver in an effective way only if they are trained. State level officials stated that there is lack of proper training among anganwadi workers and this leads to low levels awareness about early childhood development.

Delay in Flow of Funds: The functioning of ICDS in the state could improve if the Centre averts the delay in the flow of funds. This is especially relevant for the Supplementary Nutrition Project (SNP) component of ICDS.

Monitoring: The monitoring process is ad hoc and lack of vehicles was cited as one of the main reasons for the lax monitoring.

5.6 Total Sanitation Campaign (TSC)

In Bihar, the Total Sanitation Campaign (TSC) was launched in 1999-2000. The TSC guidelines have changed over the years since it was first envisioned. The latest guidelines aim to make the programme 'community led' and 'people centered'. A "demand driven approach" has been advocated with increased emphasis on awareness creation and demand generation for sanitary facilities in houses, schools and for cleaner environment.

Some important changes in the programme are the increased emphasis on alternate delivery mechanisms to meet community needs. Subsidy for individual household latrine units has been replaced by incentive to targeted 'poor' households. Rural School Sanitation is a small but important component of the programme.

Administrative Structure

TSC projects are supposed to emanate from a district, and sent to the Government of India (Department of Drinking Water Supply, Ministry of Rural Development) for approval after scrutiny by the relevant state department – the Department of Public Health Engineering in Bihar.

At the district level, the District Water and Sanitation Samitis implement the TSC under the chairmanship of Deputy Development Commissioner. The Executive Engineer, Public Health Engineering holds the position of the Member Secretary of the Samiti. The district drafts the plan for TSC and it is sent to the central government. This plan is sent to the National Scheme Sanctioning Committee (NSSC) by the central government for approval. After approval, 30

percent of the total share of central government contributions is released to the district and it is treated as the first installment of the grant. At present all 38 districts come under TSC coverage in Bihar.

Pattern of Fund Utilization

Table 5.6A presents fund utilization patterns aggregated over the entire period from 1999 to the present. As various districts have come under the scheme in various years and this has determined the pattern of release, a study of annual release may be misleading. Unlike other schemes earmarked for children, there is a provision of release of 30 percent of the total central share for TSC once the project is approved. However, for Bihar, the Centre has released only 21 percent (Table 5.6A) of its own approved share till date. Of the total released, the state has spent only 51 percent till 2007-08. Utilization against total approved budget is very low at 9.4 percent. This is itself would explain the low release to approval ratio (18.5 percent).

Table 5.6A: Fund Utilization in TSC Bihar (1999- March 2008) (Rs Lakh)

	Total Approve Budget	Total Released	Total Expenditure	Release as % of Approval	Expenditure as % Released	Expenditure as % of Approval
Centre	92841.53	20365.68	10702.55	21.94	52.55	11.53
State	30385.50	5397.62	1938.67	17.76	35.92	6.38
Beneficiary	21447.12	971.24	971.24	4.53	100.00	4.53
Total	144674.15	26734.54	13612.46	18.47	50.92	9.41

Note: Includes both share of Department of Public Health Engineering and Bihar Education Project Council

Source : Department of Public Health Engineering and Bihar Education Project Council, Patna

In earlier years (1999-2002), the districts often received first installments of funds in September or even December and the second installment was released 1-5 years later. Districts that got the first installment in later years (2003-2007) received the funds in March or April. The second installment was released 1-4 years later. Severe time lags in implementation seem to be the major reason for long gaps between the installments of funds released.

Observations on Implementation

The Total Sanitation Campaign in Bihar has been facing very basic constraints right from the time of its inception.

Planning: As explained earlier, the plans are conceived at the district level and sent to the central government. For the successful implementation of the scheme, the time devoted by the stakeholders to the planning process is very important. The District Magistrate and Deputy Development Commissioner have lot of assignments in the district. Since they are both important members of the society for TSC, meetings of the society are often not held as one or the other cannot be present. Societies which hardly meet cannot possibly prepare plans based on detailed consultation with all stakeholders. The state department scrutinizes the plan but does not really engage with the planning process itself. Thus there are important deficiencies in the planning process at different levels of the implementing authority.

Adoption of New Technology: When TSC was first launched, the state implementing authority faced a major problem as the existing technical staff in the Department of Public Health Engineering was unfamiliar with the new technologies adopted in the scheme. It took several years for the state office for TSC to upgrade its knowledge base and competence to adopt the new technology. Frequent changes in the TSC guidelines also create difficulties in implementation.

Staffing: At the district level, where the TSC is conceived and implemented, the offices find it difficult to appoint competent engineers. One of the causes for such inadequacy of staff is the low wage-structure for engineers. Even the Bihar Public Service Commission (BPSC) failed to recruit qualified and good engineers because they preferred private firms in comparison to government employment due to huge difference in salaries. For instance, last year the BPSC

had conducted an examination for Bihar Engineering Services for 420 vacancies. Out of 3600 applicants only 1200 candidates appeared in the examination in spite of a very low cut-off mark of 40 percent. 620 candidates had been short listed for the interview. However all the vacancies could not be filled up. Further, this trend of reducing the cut-off marks also raises issues around the quality of technical staff being hired. Apart from that, the government has also reduced the divisions to 10 against the requirement of 40 more divisions throughout the State.

To conclude, the survey of the seven child-specific schemes in the state reveals a clear pattern in issues of implementation.

- First, at a general level, bottlenecks in implementation have to do with **lacuna in planning, human resource base, infrastructure, training and monitoring**. These have emerged as the major causal factors for low fund utilization in almost all the schemes that we have studied.
- Second, in some cases like NCLP, the structure of the scheme itself seems to be one of the main deterrents to implementation.
- Third, the much lower utilization in gender based components of SSA points to some degree of occlusion about the importance of such components for the overall SSA targets.

Finally, larger questions about ownership and people's participation were important but could not be adequately addressed at the state level. Field based studies are a necessary complement for the assessment of programmes and schemes. Since this was outside the scope of the study on Bihar, this has not been addressed. However, the interviews and consultation at the state level revealed that these questions were not really part of the cognitive world of the implementing authorities though they all acknowledged the importance of people's participation and ownership in the successful implementation of schemes aimed at social development.

Chapter Six

Conclusion

In Bihar, out of an estimated total population of 93 million in 2007, 47 million were children. Children in the age bracket of 0-18 constitute about 50.4 percent of the population whereas children in the age bracket of 0-6 constitute around 20.3 percent of the total population of Bihar. A comparative approach to the study of the condition of children in Bihar reveals large deficit in most indicators of development compared to the national average. It must be noted that the development gap did not narrow down between 1997-98/1998-99 and 2004-05/ 2005-06 in spite of rising growth rates in Bihar. Thus, the need for effective state intervention for the overall development of children is all the more vital in Bihar.

6.1 Expenditure on Social Services from the State Budgets of Bihar

- An important indicator of how much the state government is catering to the needs of children is its spending on social services as it is well established now that overall improvement of social services has beneficial effects on children. There has not been much variation in spending on social services as a proportion of total State Budget if the two points of time, 1998-99 and 2007-08, are taken into consideration. But, in between these two terminal years, the proportion of expenditure on social services fluctuated a lot. After 2003-04, a sharp decline in plan expenditure on social services is witnessed, which appears to have been due to a number of state specific problems. In the last three years it has been stable amounting to over 30 percent of the entire state budget. **We find that spending on social services as a proportion of Bihar's NSDP had declined gradually from 10.1 % in 1999-2000 to 7.5 % in 2004-05. After 2004-05, however, it has increased, and from 2005-06 onwards it has hovered over 10 percent of the NSDP.** But it should be kept in mind that the magnitudes of the state budget as well as the NSDP of Bihar are both very low as compared to other states,

while the deficits in human development in the State are far more acute than most other states. Hence, it is apparent that the increases in the overall expenditure on social services in Bihar in the most recent years would have been far from adequate.

- Bihar, like many other states, is recovering from a long period of fiscal crisis. Bihar's economic structure puts limits on the government's capacity to raise its resource base. As regards the last three financial years, we find that the magnitude of the state budget of Bihar has increased consistently from Rs. 22,568 crore in 2005-06 to Rs. 27,136 crore in 2006-07 (RE) and then to Rs. 33,257 crore in 2007-08 (BE). This implies that the ability of the state government to provide greater amount of funds for social services (from its State Budget) has increased over the last three years. It would be worthwhile to note here that the priority for expenditure on social services had increased visibly in 2005-06 and 2006-07. However, in 2007-08 (BE), the total expenditure on social services has fallen marginally to 10.9 % of the NSDP (30.1 % of the State Budget). **It is imperative for the State Government to expand the magnitude of its State Budget and step up the priority for expenditure on social services**, since the levels of per capita expenditure on social services (from the State Budget) in Bihar are still the lowest among all states.
- The Plan component of total expenditure on social services was much higher at 20.6 percent in the year 2002-03, compared to the previous four years and subsequent two years. There was a sudden decline in the share of Plan expenditure after 2002-03, and it recovered only from 2005-06 reaching the highest level in 2006-07 (at 26.1 percent of total expenditure on social services in 2006-07). Central funding for a number of Centrally Sponsored/ Central Sector Schemes (like SSA, Mid Day Meal, ICDS etc.) have increased significantly in this period and consequently the State Government's matching grants components for these social sector schemes have also increased considerably. Moreover, in Bihar, the size of the state plan also has been expanding since 2005-06.
- **Per capita expenditure on social services shows a sharp increase in the last three years, as it stood at Rs. 1079.6 in 2007-08 (BE) increasing significantly from the level of Rs. 541.2 in 2001-02.** However, the last two figures, i.e. for 2006-07 and 2007-08, are both estimates and the actual expenditures might turn out to be lower. **But Bihar still ranks the lowest (among the seventeen states selected for comparison) even during the last three years, i.e. 2005-06 to 2007-08.** On the other hand, Bihar, despite its very poor record in human development and development in the social

sectors, continues to spend the relatively lowest magnitude of per capita funds on social sector from its State Budgets. As long as such a paradoxical situation persists, within the domain of public expenditure across states, the development gap will not be bridged.

6.2 Resources for Children in Bihar from the State Budget and Union Budget

- Study of Bihar budget documents revealed that out of the 54 Demands for Grants in the Bihar Budget, 9 had either entire schemes or specific items of expenditure, with child-specific outlays. Based on these, we find that **the child budget has hovered around or under 16 percent of the total Bihar budget in the last two years under consideration**. The aggregate size of the child budget in Bihar declined from Rs 524701.8 lakhs in 2006-07 (R.E.) to Rs 519579.22 lakhs in 2007-08 (B.E.). This translates into a 1 percent cut in the child budget in the same period when the total size of the Bihar budget increased by 4.3 percent. Thus **prioritization of children in the Bihar budget has declined in a period of overall rise in budgeted expenditure of the state**.
- The share of expenditure on child-specific interventions within total non-plan expenditure from the Bihar Budget increased from 15.68 percent in 2004-05 (R.E.) to 17.81 percent in 2007-08 (BE). Between 2007-08 and 2006-07, the non-plan component of the allocations for child specific schemes increased by 8.2 percent. In the same period, the overall non-plan component of the Bihar budget increased by just 1.4 percent. The non-plan outlays for schemes that can be classified under child health and child protection are marginal in their importance. There has been a drastic decline in non-plan outlays for schemes intended for early childhood development since 2006-07.
- Our review of the situation of children in Bihar in Chapter Two provides a very strong case for planned intervention by the government. However, plan expenditure on children as proportion of total plan expenditure has declined after an initial rise from 16 percent in 2004-05 to 19 percent in 2005-06. It fell to 16 percent in 2006-07 and reached a drastic low of 12 percent in 2007-08. This fall was mitigated by the increased share of Central funds in 2007-08 as the share of the state in plan expenditure earmarked for children fell from Rs 1231.1 crore in 2006-07 (RE) to Rs 655.4 crore in

2007-08 (BE) – a fall close to 47 percent in a single year. The major cuts were in the area of nutrition schemes and water supply projects.

- **There was a 19 percent decline in plan outlays for child-specific schemes between 2006-07 and 2007-08. In the same period, the overall plan expenditure of the government increased by almost 10 percent.** However, this prioritization of planned intervention has come at the cost of cut in plan expenditure for child specific schemes aimed at education, health and early childhood development. The only exception is the plan outlay for schemes aimed at child protection in which the outlay has increased from Rs 23 lakhs to Rs 269 lakhs between 2006-07 and 2007-08. But this accounts for just 0.2 percent of the outlays for child specific schemes and thus is negligible. It can safely be asserted that the planning process of the government has not only accorded low priority to children, it has actually displayed a dangerous policy reversal of downgrading the priority of child specific schemes in the plan component of the budget. This situation needs to be reversed.
- **The outlays for child education in the Bihar Budget has accounted for 89 to 91 percent of the total child budget for Bihar. The three other sectors together account for around 10 percent of the child budget.** Expenditure on child education as a proportion of NSDP has also remained constant at around 5 percent between 2004-05 and 2007-08. The predominance of resources allocated to education within the child budget of Bihar demonstrates that the state has prioritized education in the period of our study. But, there is no reason to think that the allocation for education is adequate. The low priority accorded to protection, health and early development compared to education should not be used as an excuse to shift funds from education to other categories. The structure of the child budget makes a case for increasing allocation in other sectors, but not at the cost of undermining education.
- The sectoral composition of the plan component of the child budget shows that child education has the highest share. In 2004-05, the share of child education was 63.8 percent. In 2007-08, it was 60.3 percent. The next important sector in terms of plan allocation is early childhood development. The share of early childhood development increased from 32.2 percent in 2004-05 to 38.2 percent in 2007-08. This can be mainly attributed to the move towards universalisation of the ICDS in Bihar in this period. Thus, the bulk of the funds in this sector come from the central government. Plan funds allocated to child protection stood at just 0.03 percent of the plan component of the child budget in 2004-05. This rose marginally to 0.19 percent in 2007-08. This reveals the

indifference of the state government to the needs of children in difficult circumstances in Bihar.

- The share of capital expenditure in planned expenditure for child specific schemes after a decline between 2004-05 and 2005-06, increased to 7.19 percent in 2006-07 and to 8.7 percent in 2007-08. This increase was mainly on two accounts: construction of residential schools, hostel buildings and other construction related to education, and, state share of allocation for water supply and sanitation schemes in schools under different central schemes like Pradhan Mantri Gramodaya Yojana (PMGY) and Total Sanitation Campaign (TSC). There has been no capital expenditure in the sectors of child health, child protection and early childhood development. We need to qualify this observation based on three issues. First, only those expenditures that lead to creation of new assets are entered as capital expenditure in the state budget documents whose ownership lies with the state government. In Bihar, since 95 percent schools are owned by the state, records of capital expenditure are mainly devoted to creation of assets for education, even if these are low. However, for recent interventions in health, early childhood development, and child protection, ownership issues may be important as there are several stakeholders. Second, construction of PHCs/APHCs constitute a large chunk of capital expenditure on health, but are not necessarily reflected as part of the child budget even if the construction cost is borne by the government as the benefits are not specific to children. Third, in recent years, a lot of capital expenditure is being made under the Centrally Sponsored Schemes that bypass the state budget. Hence, the low capital expenditure may be an underestimate. However, it does reflect the low priority accorded to capital expenditure in the state's own budget geared towards fulfilling the specific needs of children.
- **Patterns of non-wage expenditure offer an insight into the quality and effectiveness of the child specific interventions in the budget.** We have studied the patterns of non-wage expenditure in the top 10 projects or schemes in the child budget. These items together constituted the bulk of the child budget in Bihar. Together, they accounted for 95 percent of the child budget of Bihar in 2004-05, but the share had gradually declined to 71 percent in 2007-08. Thus, we note a diversification of the child budget away from these dominant schemes in 2006-07 and 2007-08. However, these schemes still remain the largest in terms of absolute allocation. Out of these, for the four largest schemes – State Primary and Middle Schools, Secondary Education, Post Matric (Higher Secondary Education) and Teachers' Training Colleges and Inspection

(Non-Government Primary Schools), the share of non-wage expenditure has been consistently less than 10 percent over the period of our study. In the case of Secondary Education, non-wage expenditure has remained constant at around 1 percent. The abysmally low figures are quite indicative of the quality of expenditure at all tiers of the education system that affect children. 95 to 99 percent of budgetary allocations in these sectors are just directed towards covering wage expenditure. Given such a pattern of expenditure, no quantitative expansion or qualitative improvement can be expected to be achieved. Thus it is absolutely vital for the state government to increase its non-wage outlays to enhance the quality and quantity of the resource base of education in the state.

- **The share of central funds had hovered around 30 percent of the total plan expenditure for children in the Bihar budget between 2004-05 and 2006-07.** However, this share has increased to 53 percent in 2007-08 (BE). This is mainly attributable to a 16 percent increase in the outlay from central funds for ICDS in Bihar in 2007-08 combined with a 47 percent decrease in the state's share of plan expenditure for children in 2007-08. The share of central funds routed through the state budget has seen a gradual and significant increase from 4.88 percent in 2006-07 to 11.83 percent in 2007-08.
- An increasing trend for almost a decade now is reorganization of plan fund devolution from the central government. **Increasing shares of central government funds are routed directly to the programme implementing agencies at the state or district level, bypassing the Consolidated Fund of Bihar.** It is clear that central funds for children in Bihar have been stepped up by significant amounts since 2004-05. In 2006-07, the allocations reached a one-time high of Rs 1720 crore.
- **The total public resources allocated to child specific schemes in Bihar including the central transfers that bypass the state budget can be considered as the total child budget for Bihar.** The total child budget for Bihar increased **from Rs 4567 crore in 2004-05 to Rs 6332 crore in 2007-08.** The share of central funds bypassing the Bihar budget in the total child budget increased from 12.49 percent in 2004-05 to 17.95 in 2007-08. The all-time high was in 2006-07 when such transfers accounted for 24.69 percent of all public resources devoted to children. The decline in the child budget between 2006-07 and 2007-08 was accounted for by decline in the state plan component and the central shares bypassing the state budget.

- **The sectoral composition of the total child budget for Bihar after including the central funds bypassing the state budget shows that the distribution of resources across sectors remain quite skewed** with marginal differences compared to the sectoral share of the funds passing through the Bihar budget. If we examine the sectoral distribution for 2006-07, the year for which our data on central funds is complete, we find that child education still accounted for 87 percent of resources; early childhood development accounted for 8.92 percent; allocations for child protection were still insignificant at 0.13 percent while child health showed an increase to 3.95 percent.

6.3 Issues Related to Utilization of Funds in the Social Sector

- It is clear that Centrally Sponsored Schemes have become the single largest source of public intervention to address the needs of children. However, many issues related to implementation of the schemes have been raised and continue to be raised. One important question that has often been raised with regard to such allocation is the issue of fund utilization.
- Study of fund utilization patterns for seven child specific schemes covering the four sectors – education, health, protection and early childhood development. The schemes that have been studied are Sarva Shiksha Abhiyan and Mid Day Meal Scheme (Child Education), Reproductive and Child Health Programme and Universal Immunization Programme (Child Health), National Child Labour Project (Child Protection), and Integrated Child Development Scheme and Total Sanitation Campaign (Early Childhood Development). Fund utilization patterns in different schemes vary. **SSA and MDMS have been registering higher levels of fund utilization against total fund availability. However for all schemes, fund utilization is low when compared to the approved budget.** Moreover, there are year to year fluctuations in the actual fund utilization patterns.
- **Planning process is weak in all the schemes surveyed. In most cases, it is being treated as a mechanical exercise. Bottom up planning entails filling of forms setting targets which do not seem to be based on any need assessment.** The appraisal note of the Project Approval Board for the SSA work plan and budget for Bihar for 2006-07 had 'besides the write-up on planning process nothing else in the plans as

well as in the discussions with the state team substantiates the claim of participatory, decentralized and need based planning'. It further noted that even at the state level, there was little coordination and communication among different components. The draft State Component Plan had been submitted a day before the appraisal started. Data mismatch, standardized plan write-ups, lack of co-ordination between activities and budgets pointed to severe qualitative deficiencies in the planning process. Thus, inadequacies in the planning process seem to be the biggest stumbling block for SSA in Bihar. The ICDS programme in Bihar does not follow any kind of detailed planning exercise. There is no mechanism in place involving the personnel at the project level in the planning exercise. According to the state directorate, central guidelines are just implemented without any inputs from the state or the districts. The District Magistrate and Deputy Development Commissioner have lot of assignments in the district. Since they are both important members of the society for TSC, meetings of the society are often not held as one or the other cannot be present. Societies which hardly meet cannot possibly prepare plans based on detailed consultation with all stakeholders. The state department scrutinizes the plan but does not really engage with the planning process itself. The lacuna in planning was common to all schemes that were studied. **However, the process of sanctioning of projects has speeded up as the power to sanction plan schemes has been devolved and financial authority has been enhanced at the level of the state government.** The departmental secretary can now approve upto Rs 2.5 crore under plan head and Rs 1 crore under non-plan head, and the minister can approve upto Rs 10 crore under plan head and Rs 5 crore under non-plan head. Plan schemes larger than Rs 10 crore need cabinet approval.

- **Staffing issues plague all the schemes under review.** Vacancies in SSA were both at the state and district level in programme components, administration, finance and engineering. Even in the sixth year of the implementation of SSA in the state, there had been no improvement in project staffing. The main problem is at the level of the Block Resource Centre (BRC) and Cluster Resource Centre (CRC). 44 percent posts at the district level were vacant. Inadequacy of staff is a serious problem in ICDS. According to the officers in the directorate, at the state and district level, staff like monitoring officers and data assistants is inadequate in number to meet the workload. The sub-district level offices are faced with the lack of Child Development Project Officers (CDPO) and the lady supervisors. The state government had appointed 218 CDPOs and 2900 lady supervisors in 2006-07. However, 60 percent of CDPO posts and 85

percent of lady supervisor positions were still vacant in 2007-08 all over the state. **Some positive steps towards filling vacancies were taken in recent years after the state government delegated power of selection of anganwadi workers and anganwadi helpers to the gram panchayat.** Anganwadi workers and helpers have been appointed for all anganwadis centres numbering 80221 against the sanctioned strength of 80771. At the district level, where the Total Sanitation Campaign is conceived and implemented, the offices find it difficult to appoint competent engineers. One of the causes for such inadequacy of staff is the low wage-structure for engineers. The NCLP is finding it hard to retain teachers at the low levels of honorarium. The RCH is seriously handicapped due to the lack of trained specialist doctors. Since all these schemes are based on service delivery, lack of skilled professionals and supporting staff in administration is crucial to effective implementation. The government needs to prioritize recruitment and restructure compensation packages to prevent attrition.

- Under SSA norms, there is no provision of training for state level staff. Yet, their role is important in the entire implementation of SSA. However, 6 percent of the budget is allocated for management cost, a part of which can be used for training, but only 3 percent is being spent under this head. The expenditure on the innovation component currently stands at 3-4 percent of the allocation. At the school level, there is scope for higher utilization under this component. However, the lacuna in staffing structure and planning procedures discussed above also lead to limitations on innovative capacity. Anganwadi staff can deliver in an effective way only if they are trained. State level officials stated that there is lack of proper training among anganwadi workers and this leads to low levels awareness about early childhood development. **Training needs are also insufficiently met** in the rest of the schemes that have been studied.
- **Low priority to gender based components** were revealed in the review of NPEGL and KGBV. The fund utilization ratios are much lower in the gender-based components of the programme. The total enrolment in KGBVs was only 5454 by March 2007. The proportion of students from various categories was as follows: SC (49%), ST (7%), OBC (24%), Minority (17%), BPL (1%) and Others (2%). There are 350 sanctioned KGBVs but only 128 were operational in 2006-07. The work plans did not reflect any substantial thought on the matter except to note that utilization figures are low on these components. Lack of sensitization starting at the very top level seemed to be the main reason for the low priority accorded to gender specific components.

- **Lack of Infrastructure appeared as a strong deterrent to successful implementation.** For MDMS, it was observed that some of the schools do not have kitchen sheds, storage space, adequate utensils to cook or plates and glasses. In many schools, feeding takes more than an hour as students are fed in batches of 30 – 60 due to shortage of plates. In ICDS, Anganwadi centres lack basic physical infrastructures like buildings, toilets, hand pumps, boundary walls and kitchens etc. For overall implementation of RCH and UIP, coverage through health sub centres is 53 percent of the required norm. 75 percent of PHCs and 45 percent of Additional PHCs are functioning. Coverage of referral and sub-divisional hospitals are very low at 11 percent and 23 percent of required norms. Officials at the state level maintained that poor maintenance of Primary Health Centres, shortage of labour rooms with proper equipments, lack of basic amenities in hospitals, and bottlenecks in supply of vaccines and medicines were key infrastructural bottlenecks. Cold chain maintenance is the biggest problem with regard to preservation of vaccines at the PHC level. This has a direct impact on UIP.
- **Question of ownership and public participation seemed the biggest problem in NCLP. Another main constraint in NCLP seems to be in its conception and design.** The children after completing the age of 14 are supposed to be mainstreamed in formal labour markets either as wage labourers or self-employed. As NCLP is conceived as a time bound and temporary intervention that will enable mainstreaming of enrolled children in NCLP schools to formal education system particularly to SSA, all components within the scheme have neglected basic questions around infrastructure and staffing. The time-bound nature of the intervention should not come in the way of providing proper infrastructure and trained staff. Similarly delay in flow of funds use to affect the functioning of ICDS in the state. It could improve if the Centre averts the delay in the flow of funds though the state government tries to minimize the impact of delays by releasing stop gap funds. This is especially relevant for the Supplementary Nutrition Project (SNP) component of ICDS. Monitoring capacity was a major issue in almost all the programmes. The monitoring process is ad hoc and lack of vehicles and inaccessibility of certain regions was cited as one of the main reasons for the lax monitoring. Central decisions are made without assessing the ground reality in the states. For example, when TSC was first launched, the state implementing authority faced a major problem as the existing technical staff in the Department of Public Health Engineering was unfamiliar with the new technologies adopted in the scheme. It took

several years for the state office for TSC to upgrade its knowledge base and competence to adopt the new technology. Frequent changes in the TSC guidelines also create difficulties in implementation.

- Finally, larger questions about ownership and people's participation were important but could not be adequately addressed at the state level. Field based studies are a necessary complement for the assessment of programmes and schemes. Since this was outside the scope of the study on Bihar, this has not been addressed. However, the interviews and consultation at the state level revealed that these questions were not really part of the cognitive world of the implementing authorities though they all acknowledged the importance of people's participation and ownership in the successful implementation of schemes aimed at social development.

6.4 Recommendations

Thus the findings of this study call for four kinds of interventions:

1. Increasing and maintaining and higher levels of social sector spending and child specific outlays.
2. Improving the quality of expenditure for child specific schemes by increasing non-wage components, higher levels of planned expenditure, increasing capital expenditure and substantially higher allocations to health, protection and early childhood development.
3. Active intervention to ensure better fund utilization in child specific schemes with stress on a suitable mechanism to address issues related to planning, staffing, training, building up infrastructure, monitoring and public participation.
4. Better coordination between the centre and the state in design of schemes catering to state and region specific needs.

If Bihar wants to leap forward in closing the development gap for children, this multi-pronged approach to effective intervention is the need of the hour.

Annexures

Annexure for Chapter One

Qualifications on the Bihar Budget for 2004-05

The period under scrutiny in this study poses certain analytical paradoxes which need to be taken into consideration before we arrive at results. Table 1 below summarizes the difference between budget estimates, revised estimates and actual figures for 2004-05 and 2005-06.

Table 1: Bihar Budget: Actual Figures, RE and BE for 2004-05 and 2005-06

(In Rs. Lakh)

<i>Sectors / Year</i>	Plan Expenditure Bihar Budget	Non-Plan Expenditure Bihar Budget	Total Expenditure Bihar Budget
2004-05 (RE)	449674.00	2088260.00	2537934.00
2004-05 (Actuals)	347598.00	1658208.00	2005806.00
Difference in Actual wrt RE (2004-05) (%)	-22.70	-20.59	-20.97
2005-06 (BE)	608747.00	2024121.00	2632867.00
Difference in RE wrt BE (2005-06) (%)	75.13	22.07	31.26
2005-06 (RE)	664312.00	1852394.00	2516704.00
Difference in Actual wrt BE (2005-06) (%)	9.13	-8.48	-4.41
2005-06 (Actuals)	489868.00	1766979.00	2256847.00
Difference in Actual wrt RE (2005-06) (%)	-26.26	-4.61	-10.33

2006-07 (RE)	1089026.00	2100563.00	3189589.00
2007-08 (BE)	1196582.00	2129126.00	3325708.00

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Note: BE – Budget Estimates, RE – Revised Estimates

We note from Table 1 that actual expenditure was 21 percent lower in 2004-05 compared to RE figures. There was a 23 percent decline in plan expenditure and 21 percent decline in non-plan expenditure. According to state government sources, 2004-05 was an exception due to political reasons. The RJD government in Bihar fell in 2004-05, followed by President's rule and elections. The results led to a hung assembly and a new government could not be formed. In the period of President's rule and the months leading up to elections, there were strictures on spending. As there was no government in place by the end of the financial year, there was no proper sanctioning authority. Together, this meant low expenditure both in plan and non-plan components. The CAG Report (Civil) for 2004-05 noted that delays in submission in utilization certificates led to a low disbursal-low expenditure cycle.

In 2005-06, Bihar was again under President's rule. Elections were held in the last quarter of 2005 and the NDA government came to power in November 2005. According to state government sources, a large part of expenditure was incurred only in the last quarter of the financial year, once again due to pre-election spending strictures. However, in 2005-06, difference in actual and RE figures was 10 percent. This was mainly because the government most of the non-plan components of expenditure by the end of the year. Thus actual non-plan expenditure fell only by 5 percent compared to RE figures but plan expenditure fell by 26 percent.

Table 2: Difference in Actual Expenditure and RE : Child Budget and Total Budget

Sectors / Year	2004-05 (RE)	2004-05 (Actuals)	Difference in Actual wrt RE	2005-06 (Actuals)	2006-07 (RE)	2007-08 (BE)
	In Rs. Lakh		(In %)	In Rs. Lakh		
Component						
Child Budget	72194.15	39836.49	-44.82	93741.41	174337.30	140463.46
Expenditure						
Budget	449674.00	347598.00	-22.70	489868.00	1089026.00	1196582.00
Plan Component						
Child Budget	327432.78	178363.52	-45.53	312943.72	350364.50	379115.76
Plan Expenditure						
Budget	2088260.00	1658208.00	-20.59	1766979.00	2100563.00	2129126.00
Child Budget	399626.93	218200.01	-45.40	406685.12	524701.80	519579.22
Expenditure						
Budget	2537934.00	2005806.00	-20.97	2256847.00	3189589.00	3325708.00

Source: Detailed Demand for Grants, Government of Bihar, Various Years

The overall trends in expenditure had decisive impact on child specific spending in 2004-05. From Table 2 above, the actual plan component of the child budget in Bihar saw a 45 percent decline compared to the RE figures, while decline in overall plan expenditure was 23 percent. The corresponding figures for no-plan expenditure were 45 percent and 21 percent. The total child budget in Bihar saw a 45 percent decline compared to the RE figures, while decline in overall expenditure was 21 percent. Thus the limits on spending capacity due to political constraints affected child specific expenditure in much larger proportions. Spending that is directly beneficial on children seems to have been consciously curtailed to a much larger extent compared to other expenditure. Flagship schemes were directly affected. For example, there

was no expenditure on the Supplementary Nutrition Plan. The externally sponsored (by World Bank) component of ICDS had an allocation of Rs 182 crore in 2004-05. But there was no spending against this. In 2004-05, for 119 child specific item heads in the budget, there was no expenditure against a total allocation of Rs 761.24 crore. These items were spread across departments like Primary, Secondary and Adult Education, Youth, Art and Culture, Health and Family Welfare, Welfare, Public Health Engineering and Labour Employment and Training. For another 97 child specific item heads in the budget, expenditure was less than 25 percent against a total allocation of Rs 1205.61 crore. Against an allocation of approximately Rs 400 crore under General Education, there was no corresponding actual expenditure. However, in the next three years, this was not the case. Though actual expenditure have been lower than estimates, the difference is much smaller and secular with respect to child specific spending. Thus in this study, 2004-05 is an outlier due to specific circumstances. In order to make this explicit, in our estimates of child specific expenditure in Chapter Four, we have presented two sets of figures for 2004-05 – actual expenditure and RE for all results derived from Bihar budget documents.

Annexure for Chapter Two

Table 2.1: Rural and Urban Infant Mortality Ratio

States	NFHS II			NFHS III		
	Urban	Rural	Total	Urban	Rural	Total
Kerala	16	17	16	18	14	15
India	47	73	68	42	62	57
Bihar	53	80	78	54	63	62
Rajasthan	70	83	80	66	65	65
Orissa	81	81	81	40	69	65
Jharkhand	-	-	54	50	73	69
Madhya Pradesh	60	96	88	47	76	70
Chattisgarh	-	-	81	51	75	71
Uttar Pradesh	63	94	89	64	75	73

Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

Table 2.2: Rural and Urban Vaccination Coverage

States	NFHS II			NFHS III		
	Urban	Rural	Total	Urban	Rural	Total
Uttar Pradesh	31	18	20	33	21	23
Rajasthan	29	14	17	44	22	27
Bihar	22	11	12	46	31	33
Jharkhand	-	-	9	51	30	35
Madhya	41	17	23	69	32	40
India	61	37	42	58	39	44
Chattisgarh	41	18	22	75	43	49
Orissa	56	42	36	53	52	52
Kerala	85	78	80	88	69	75

Note: Vaccination coverage is based on estimates of percentage of Children aged

12-23 Months who have received all recommended vaccines

Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family

Welfare, GOI.

Table 2.3: Nutritional Outcomes for Children

State	NFHS II			NFHS III		
	Stunted (too short for age)	Wasted (too thin for height)	Underweight (too thin for age)	Stunted (too short for age)	Wasted (too thin for height)	Underweight (too thin for age)
Uttar	56	11	52	46	14	47
Chattisgar	58	19	61	45	18	52
Bihar	55	20	54	42	28	58
Jharkhand	49	25	54	41	31	59
Madhya	49	20	54	40	33	60
India	46	16	47	38	19	46
Orissa	44	24	54	38	19	44
Rajasthan	52	12	51	34	20	44
Kerala	22	11	27	21	16	29

Source: NFHS-3 (2005-06), Fact Sheets (Provisional Data), Ministry of Health & Family Welfare, GOI.

Annexure for Chapter Four

Table 4.1: Total Expenditure on Child-Specific-Schemes as a Proportion of the Total Bihar Budget (In Rs.Lakh)

Sectors / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education	364295.81	209564.45	366118.39	459883.30	462915.33
Child Health	2999.32	515.10	146.96	2754.23	2100.46
Child Protection	24.34	15.94	0.00	23.00	781.05
Early Childhood Development	32307.46	8104.52	40419.77	62041.27	53782.38
A. Total Child Budget	399626.93	218200.01	406685.12	524701.80	519579.22
B. Total Expenditure from Bihar State Budget	2537934.00	2005806.00	2256847.00	3189589.00	3325708.00
A as a Proportion of B (in %)	15.75	10.88	18.02	16.45	15.62

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.2: Total Expenditure on Child-Specific-Schemes as a Proportion of NSDP (In Rs.Lakh)

Sector / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
A. Total NSDP	6620152.00	6620152.00	7100609.00	8442603.00	9122856.09
B. Total Expenditure on Child Budget	399626.93	218200.01	406685.12	524701.80	519579.22

A as a Proportion of B (in %)	6.04	3.30	5.73	6.21	5.70

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.3: Percentage Distribution of Child-Specific-Scheme Under Non-Plan and Plan Expenditure

Sectors / Year	Plan (in Rs. Lakhs)	Non Plan (in Rs. Lakhs)	Total (in Rs. Lakhs)	Child Budget (Plan) as % of Total Child Budget	Child Budget (Non Plan) as % of Total Child Budget
2004-05 (RE)	72194.15	327432.78	399626.93	18.07	81.93
2004-05 (Actual)	39836.49	178363.52	218200.01	18.26	81.74
2005-06 (Actual)	93741.41	312943.72	406685.12	23.05	76.95
2006-07 (RE)	174337.30	350364.50	524701.80	33.23	66.77
2007-08 (BE)	140463.46	379115.76	519579.22	27.03	72.97

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.4: Total Non-Plan Expenditure on Child-Specific-Schemes as a Proportion of Total Expenditure from the State Budget of Bihar (In Rs.Lakh)

Sectors / Year	2004-05 (RE)	004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education	318215.25	70146.58	307276.88	349771.13	378727.33
Child Health	149.86	11.34	141.14	189.92	200.46
Child Protection	2.81	.08808	0	0	15.05
Early Childhood Development	9064.86	104.52	5525.70	403.45	172.92
A. Total Child Budget	327432.78	78363.52	312943.72	350364.50	379115.76
B. Total Non-Plan Expenditure from Bihar State Budget	2088260.00	1658208.00	1766979.00	2100563.00	2129126.00
A as a Proportion of B (in %)	15.68	0.76	17.71	16.68	17.81

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.5: Total Plan Expenditure on Child-Specific-Schemes as a Proportion of Total Expenditure from the State Budget of Bihar (In Rs.Lakh)

Sectors / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education	46080.56	39417.88	58841.51	110112.17	84188.00
Child Health	2849.46	403.76	5.83	2564.31	1900.00
Child Protection	21.53	14.85	0.00	23.00	766.00
Early Childhood Development	23242.60	0.00	34894.07	61637.82	53609.46
A. Total Child Budget (Plan)	72194.15	39836.49	93741.41	174337.30	140463.46
B. Total Plan Expenditure from Bihar State Budget	449674.00	347598.00	489868.00	1089026.00	1196582.00
A as a Proportion of B (in %)	16.05	11.46	19.14	16.01	11.74

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.6: Sector wise Percentage Distribution of Child-Specific-Schemes as a Proportion Total Child Budget (Bihar).

Sector / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education as % of Child Budget	91.16	96.04	90.03	87.65	89.09
Child Health as % of Child Budget	0.75	0.24	0.04	0.52	0.40
Child Protection as % of Child Budget	0.01	0.01	0.00	0.00	0.15
Early Childhood Development as % of Child Budget	8.08	3.71	9.94	11.82	10.35

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.7: Sector wise Percentage Distribution of Child-Specific-Schemes under Non-Plan Component of Child Budget,Bihar

Sector / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education (In Rs. Lakhs)	318215.25	170146.58	307276.88	349771.13	378727.33
Child Education as % of Child Budget	97.18	95.39	98.19	99.83	99.90
Child Health (In Rs. Lakhs)	149.86	111.34	141.14	189.92	200.46
Child Health as % of Child Budget	0.05	0.06	0.05	0.05	0.05
Child Protection (In Rs. Lakhs)	2.81	1.09	0.00	0.00	15.05
Child Protection as % of Child Budget	0.00	0.00	0.00	0.00	0.00
Early Childhood Development (In Rs. Lakhs)	9064.86	8104.52	5525.70	403.45	172.92
Early Childhood Development as % of Child	2.77	4.54	1.77	0.12	0.05

Budget					
Total Child Budget (Non Plan) (In Rs. Lakhs)	327432.78	178363.52	312943.72	350364.50	379115.76

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.8: Sector wise Percentage Distribution of Child-Specific-Schemes under Plan Component of Child Budget, Bihar

Sector / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Child Education as % of Child Budget	63.83	98.95	62.77	63.16	59.94
Child Health as % of Child Budget	3.95	1.01	0.01	1.47	1.35
Child Protection as % of Child Budget	0.03	0.04	0.00	0.01	0.55
Early Childhood Development as % of Child Budget	32.19	0.00	37.22	35.36	38.17

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.9: Percentage Distribution of Capital and Revenue Expenditure of Child Specific Schemes in Bihar.

Sector / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Revenue Expenditures (%)	9.05	99.54	99.71	97.61	97.65
Capital Expenditure (%)	.95	0.46	0.29	2.39	2.35
Total (RE+CE) (In Rs. Lakhs)	399626.93	218200.01	406685.12	524701.80	519579.22

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.10: Expenditure Pattern of Major Schemes in Child Budget of Bihar

<i>Schemes</i>	2004-05 RE			2004-05 Actual			2005-06 Actual		
	Wage	Non-Wage	% of Non-Wage	Wage	Non-Wage	% of Non-Wage	Wage	Non-Wage	% of Non-Wage
State Primary and Middle Schools	231041.88	11669.06	4.81	98538.06	16022.34	13.99	168550.29	13097.37	7.21
Secondary Education	63597.52	475.95	0.74	48787.94	348.91	0.71	56164.84	1021.19	1.79
Sanskrit Education (Non-Government Sanskrit Schools and State Sanskrit Schools)	88.57	2281.48	96.26	77.56	2280.18	96.71	89.10	1885.08	95.49
Other Expenditure (Sarva Shiksha Abhiyan, Mid-Day Meal Scheme etc)	8630.65	22050	71.87	2912.02	18808.81	86.59	4.87	75710.39	99.99
University and Higher Education (Post Matric Education)	1106.40	16.09	1.43	985.00	45.41	4.41	1260.52	6.48	0.51

(+2 Education) and Teachers Training College)									
Grant for Non-State Primary School	-	797.41	100	-	1653.74	100	-	553.59	100
Inspection (Support to Non-Government Primary Schools)	2263.5	96	4.07	2159.89	251.18	10.42	2599.21	94.97	3.52
Education (Welfare for SC, ST and OBCs)	911.32	2388.34	72.38	673.24	1723.37	71.91	747.71	1743.29	69.98
Child Welfare (Supplementary Nutrition Plan, Scheme of Child Care for the Home for homeless Child)	14406.97	12946.35	47.33	687.89	7417.71	91.51	9510.17	10238.73	51.84
Other Languages Education (Madarsa)	115.39	5014.64	97.75	112.22	4770.04	97.70	119.48	3685.28	96.86
Total	322162.19	57735.31	15.20	154933.83	53321.68	25.60	239046.19	108036.37	31.13

Child Budget of Bihar	399626.93			218200.01		406685.12			
Share of above Schemes from Child Budget of Bihar	80.62	14.45		71.01	24.44		58.78	26.57	
Total Wage in Child budget	330099.06	69527.86		157742.73	60457.29		262903.76	143781.36	
Share of above schemes of Wage / Non-Wage from total wage/non-wage Expenditure	97.60	83.04		98.22	88.20		90.93	75.14	

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.10 continued...

Table 4.10: Expenditure Pattern of Major Schemes in Child Budget of Bihar

<i>Schemes</i>	2006-07 RE			2007-08 BE		
	Wage	Non-Wage	% of Non-Wage	Wage	Non-Wage	% of Non-Wage
State Primary and Middle Schools	248224.42	17039.89	6.42	179248.75	20163.52	10.11
Secondary Education	77293.42	872.15	1.12	65759.37	749.67	1.13
Sanskrit Education	90.21	1971.94	95.63	115.88	1972.51	94.45

(Non-Government Sanskrit Schools and State Sanskrit Schools)						
Other Expenditure (Sarva Shiksha Abhiyan, Mid-Day Meal Scheme etc)	-	40388.95	100.00	0.00	63493.16	100.00
University and Higher Education (Post Matric Education (+2 Education) and Teachers Training College)	1251.93	110.60	8.12	1375.88	68.30	4.73
Grant for Non-State Primary School	-	553.60	100	-	553.60	100
Inspection (Support to Non-Government Primary Schools)	2683.96	84.07	3.04	2721.75	87.84	3.13
Education (Welfare for SC, ST and OBCs)	1031.93	3605.77	77.75	1100.70	4031.47	78.55
Child Welfare (Supplementary Nutrition Plan, Scheme of Child Care for the Home for homeless Child)	16084.01	4719.26	22.69	18654.79	5489.59	22.74
Other Languages Education (Madarsa)	84.79	3765.85	97.80	89.56	3846.26	97.72
Total	346744.66	73112.08	17.41	269066.67	100455.92	27.19
Child Budget of Bihar	524701.80			519579.22		

Share of above Schemes from Child Budget of Bihar	66.08	13.93		51.79	19.33	
Total Wage in Child budget	401127.82	123573.98		315966.40	203612.82	
Share of above schemes of Wage / Non-Wage from total wage/non-wage Expenditure	86.44	59.16		85.16	49.34	

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.11: Share of Central Funds (passing through the Bihar Budget) in the Child Budget

Sectors / Year	2004-05 (RE)	2004-05 Actual	2005-06 Actual	2006-07 (RE)	2007-08 (BE)
Non-Plan	81.93	81.74	76.95	66.77	72.97
State Plan	12.49	18.22	16.57	23.46	12.61
Centrally Sponsored	5.43	0.00	6.46	9.74	14.39
Central Plan	0.15	0.04	0.02	0.02	0.03
Total Plan	18.07	18.26	23.05	33.23	27.03
Grand Total	100.00	100.00	100.00	100.00	100.00
Total Central Fund for Bihar	5.58	0.04	6.48	9.76	14.42
Central Fund as a Share of Total Plan	30.85	0.20	28.12	29.38	53.34

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.12: Total Expenditure on Child Specific Schemes Including Central Fund Bypassing the State Budgets

Sectors / Year	2004-05	2005-06	2006-07	2007-08
Total Child Budgeted Under Non-Plan	71.70	65.81	50.29	59.87
Total Child Budget Under State Plan	10.93	14.17	17.67	10.35
Total Child Budget Under Centrally Sponsored Schemes and Central Plan	4.88	5.54	7.35	11.83
Child Budget Bypassing State Budget	12.49	14.48	24.69	17.95

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.13: Sector wise Percentage Distribution of Child Budget Including Central Funds Bypassing State Budget.

Sectors / Year	2004-05	2005-06	2006-07	2007-08
Child Education	91.35	89.36	87.01	90.32
Child Health	1.51	1.92	3.95	0.94
Child Protection	0.07	0.09	0.13	0.12
Early Childhood Development	7.08	8.63	8.92	8.62
Total Child Budget	100.00	100.00	100.00	100.00

Source: Detailed Demand for Grants, Government of Bihar, Various Years

Table 4.14 Total Projected Population of Children (In Lakhs)

Sectors / Year	2004-05 (RE)	2004-05 (Actual)	2005-06 (Actual)	2006-07 (RE)	2007-08 (BE)
Total Projected Population of Children (In Lakhs)	442.30	42.30	450.09	457.78	465.39

Table 4.15 Fluctuation of Bihar Budget

Sectors / Year	2004-05 (RE)	2004-05 (Actuals)	YGR	2005-06 (Actuals)	YGR	2006-07 (RE)	YGR	2007-08 (BE)	YGR
Total Non- Plan Expenditure from Bihar State Budget (In Rs. Lakhs)	2088260	1658208	-20.59	1766979	6.56	2100563	18.88	2129126	1.36
Total Plan Expenditure from Bihar State Budget (In Rs. Lakhs)	449674	347598	-22.70	489868	40.93	1089026	122.31	1196582	9.88
Total Bihar Budget	2537934	2005806	-20.97	2256847	12.52	3189589	41.33	3325708	4.27

Source: Detailed Demand for Grants, Government of Bihar, Various Years

